

Please note: These transcripts are not individually reviewed and approved for accuracy.

BEFORE THE
CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD MARKET
DEVELOPMENT COMMITTEE

IN THE MATTER OF THE:)
)
MARKET DEVELOPMENT)
 COMMITTEE MEETING)
)
)

DATE AND TIME: THURSDAY, DECEMBER 5, 1996
9:42 A.M.

PLACE BOARD HEARING ROOM
800 CAL CENTER DRIVE
SACRAMENTO, CALIFORNIA

REPORTER: MARK I. BRICKMAN, CSR, RPR
CERTIFICATE NO. 5527

BRS FILE NO.: 36472

APPEARANCES MR. PAUL RELIS, CHAIRMAN MR.
WESLEY CHESBRO, MEMBER
MR. DANIEL G. PENNINGTON, MEMBER

STAFF PRESENT

MR. RALPH CHANDLER, CHIEF EXECUTIVE OFFICER MS. DEBORAH
BORZELLERI, LEGAL COUNSEL

MS. CAREN TRGOVCICH, DEPUTY DIRECTOR MS. DONNELL DUCLO,

COMMITTEE SECRETARY

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1 SACRAMENTO, CALIFORNIA; THURSDAY, DECEMBER 5, 1996
2 9:30 A.M.

3

4 CHAIRMAN RELIS: CALL TO ORDER THE MARKET
5 DEVELOPMENT COMMITTEE.

6 THE SECRETARY: MEMBER CHESBRO?

7 MEMBER CHESBRO: HERE.

8 THE SECRETARY: MEMBER PENNINGTON?

9 MEMBER PENNINGTON: HERE.

10 THE SECRETARY: CHAIRMAN RELIS.

11 CHAIRMAN RELIS: HERE.

12 OKAY. THEN WE WILL PROCEED WITH OUR
13 BUSINESS. AND, CAREN, DO YOU HAVE ANYTHING THAT
14 YOU WANT TO SAY AT THE OUTSET?

15 MS. TRGOVCICH: YES.

16 THANK YOU, MR. CHAIRMAN AND MEMBERS.
17 GOOD MORNING. I'M CAREN TRGOVCICH, DEPUTY
18 DIRECTOR OF WASTE PREVENTION AND MARKET
19 DEVELOPMENT DIVISION. I JUST WANTED TO PROVIDE
20 YOU SOME INFORMATION ON A FEW ITEMS BEFORE WE
21 PROCEED WITH THE TODAY'S AGENDA.

22 THE FIRST IS JUST TO LET YOU KNOW

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23 THAT OUR BASE CLOSURE ACTIVITIES HAVE REALLY
TAKEN

24 OFF, AND WE'RE GETTING A LOT OF INFORMATION OUT.

25 THIS MONTH WE'RE SEEING THE PRODUCTION OF OUR
BASE

1 CLOSURE HANDBOOK, AND WE'RE SEEING DECONSTRUCTION
2 BEGINNING AT THE PORT OF OAKLAND WHERE WE VISITED
3 WITH PORT OF OAKLAND OFFICIALS TO MEET WITH THE
4 EXECUTIVE DIRECTOR, THE YOUTH EMPLOYMENT
5 PARTNERSHIP TO DISCUSS DECONSTRUCTION OF BUILDING
6 NO. 73. AND THERE ARE 35 IDENTICAL UNITS TO THIS
7 PARTICULAR BUILDING AT THE SITE, AND YOUTH-BUILT
8 STAFF WILL BE TRAINED IN DECONSTRUCTION TECHNIQUES
9 BY STAFF OF A COMPANY CALLED BEYOND WASTE.

10 SO WE'RE SEEING A LOT OF ACTIVITIES
11 IN THIS AREA. THEY'LL BE USING PORTIONS OF OUR
12 BASE CLOSURE HANDBOOK. WE WILL BE DISTRIBUTING
13 THAT AT WORKSHOPS UPCOMING IN THE NEXT SEVERAL
14 WEEKS AS WELL.

15 WE'VE ALSO JUST CLOSED THE
16 APPLICATION PERIOD ON THE 1996 JTR INITIATIVE. AS
17 YOU'RE AWARE, THE FUNDING THAT WE RECEIVED FROM
18 US-EPA WAS FOCUSED ON ACTIVITIES AT MILITARY BASES
19 WHICH WERE UNDERGOING CLOSURE.

20 WE RECEIVED EIGHT APPLICATIONS FROM
21 AROUND CALIFORNIA. INTERESTED ZONES INCLUDED
22 THREE BAY AREA ZONES, THE CENTRAL COAST ZONE, AND
23 TWO FROM THE CENTRAL VALLEY AND THE MOJAVE DESERT
24 ZONE.

25 WE MET LAST MONTH WITH -- WITH THE

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1 STAFF OF CALA TO SEE HOW THAT ORGANIZATION COULD
2 ASSIST US, AS WELL WITH THE EVALUATION AND
3 SELECTION OF THOSE APPLICATIONS, SO WE'RE SEEING
4 AN ONGOING PARTNERSHIP IN THAT AREA.

5 IN THE LOAN AREA, JUST TO UPDATE YOU
6 AS FAR AS THE LOAN FUND STATUS IS CONCERNED, AS OF
7 NOVEMBER 30TH, 52 LOANS WERE CLOSED IN THE AMOUNT
8 OF \$20.2 MILLION.

9 AN ADDITIONAL THREE ACTIVE LOAN
10 APPLICATIONS IN THE AMOUNT OF \$1.9 MILLION HAVE
11 BEEN APPROVED BY THE BOARD, BUT HAVE NOT YET
12 CLOSED, AND APPROXIMATELY \$16.8 MILLION REMAIN
13 AVAILABLE FOR LOANS THIS FISCAL YEAR.

14 I'D LIKE TO ANNOUNCE, AS WELL, THAT
15 THE RMDZ LOAN PROGRAM INTEREST RATE WILL BE 5.6
16 PERCENT EFFECTIVE JANUARY 1 OF 1997. THIS IS A
17 SLIGHT INCREASE FROM THE CURRENT RATE OF 5.5
18 PERCENT.

19 THE RATE, AS YOU'RE AWARE, IS
20 DETERMINED IN ACCORDANCE WITH THE PROGRAM STATUTE
21 STATING THAT THE INTEREST RATE CHARGE BE BASED ON
22 THE POOL OF MONEY INVESTMENT ACCOUNT RATE.

23 THE PMIA RATE FOR NOVEMBER WAS 5.6
24 PERCENT, SO THIS NEW INTEREST RATE WILL REFLECT

25 THE PERIOD OF JANUARY THROUGH JUNE OF 1997.

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1 WE ALSO MET YESTERDAY ON THE SEPARATE
2 NOTE OF BUY RECYCLED NOTE WITH MR. CHARLES GRADY,
3 WHO'S THE DEPUTY DIRECTOR OF THE OFFICE OF
4 PROCUREMENT IN THE DEPARTMENT OF GENERAL SERVICES.

5 I FELT THAT THIS WAS A VERY FRUITFUL
6 MEETING IN THAT WE RECEIVED A COMMITMENT FROM GS
7 TO ASSIGN A FULL-TIME STAFF PERSON TO THEIR BUY
8 RECYCLED PROGRAM.

9 WE RECEIVED A COMMITMENT IN THAT
10 MEETING, AS WELL, TO ATTEMPT TO PUT INTO PLACE
11 MASTER CONTRACTS IN THE ELEVEN COMMODITY
12 CATEGORIES THAT WE'VE IDENTIFIED AND THAT THE
13 DEPARTMENT OF GENERAL SERVICES WORKS WITH IN THE
14 AREA OF BUY RECYCLE.

15 THE INDIVIDUAL THAT THEY WILL BE
16 FORMALIZING THE BUY RECYCLE ASSIGNMENT WITH, HIS
17 NAME IS PAT BAILEY, AND WE'RE REALLY LOOKING
18 FORWARD TO WORKING WITH HIM.

19 WE ALSO IN THAT SAME MEETING RECEIVED
20 A COMMITMENT FROM MR. GRADY AS WELL TO USE THE
21 OFFICE OF INFORMATION SERVICES, WHICH IS A
22 SEPARATE TWELVE-PERSON MARKETING OFFICE WITHIN THE
23 DEPARTMENT OF GENERAL SERVICES, TO TRY TO WORK ON
24 PROMOTING THESE RECYCLED-CONTENT PRODUCTS AND THE

25 CONTRACTS .

7

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1 MEMBER CHESBRO: CAN I ASK A QUESTION HERE?

2 MS. TRGOVCICH: UH-HUH.

3 MEMBER CHESBRO: IS THAT A -- WAS IT A
4 GENERAL DISCUSSION OR WAS THERE ANY SPECIFIC
5 DISCUSSION ABOUT THE QUESTION THAT WE HAD RAISED
6 ABOUT THE GENERAL USE PLAN?

7 MS. TRGOVCICH: THERE WAS MORE OF A GENERAL
8 DISCUSSION. WE CERTAINLY RAISED THE ISSUE AROUND
9 THE USE OF NEWSPRINT WITH HIM. HE WAS WELL AWARE
10 OF IT. WE DISCUSSED IT FOR A FEW MINUTES, AND MR.
11 GRADY WAS EXTREMELY FORTHRIGHT IN SAYING, "WE NEED
12 TO BE DOING A BETTER JOB. WE HAVEN'T DONE A VERY
13 GOOD JOB IN THE PAST, AND WE'RE CHANGING THAT
14 NOW." AND I THINK THAT WE'RE SEEING THAT THROUGH
15 HIS COMMITMENT OF A FULL-TIME RESOURCE IN THIS
16 AREA AS WELL AS HIS COMMITMENT TO SUPPORT USING
17 THEIR MARKETING OFFICE, THE OFFICE OF INFORMATION
18 SERVICES TO WORK ON PROMOTING THE CONTRACT.

19 MEMBER CHESBRO: I THINK THE BIG PICTURE
20 LONG TERM, THE GENERAL PROGRAM'S MORE IMPORTANT
21 THAN JUST THE NEWSPRINT, BUT FROM THE STANDPOINT
22 OF PERCEPTION OF THE STATE PERFORMING IN WAYS
23 THAT

23 WE'RE REQUIRING THE PRIVATE SECTOR TO PERFORM,

I

24 THINK THE NEWSPRINT IS A VERY HIGH PRIORITY,

AND I

25 HOPE THAT THEY RECOGNIZE THAT.

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1 MS. TRGOVCICH: THEY DO, AND WE'RE
2 CONTINUING TO WORK WITH THEM ON THAT.

3 RICK MULLER RECENTLY MET WITH THE
4 INDIVIDUAL OVER AT THE OFFICE OF THE STATE
5 PRINTER, AND I THINK WHAT WE CAN DO IS THAT AT
AN
6 UPCOMING TIME, EITHER IN A WRITTEN FORMAT OR
HERE

7 BEFORE THE COMMITTEE, REPORT TO YOU ON WHAT WE
8 FOUND OUT ABOUT THOSE NEWSPRINT PURCHASES
AROUND

9 THEIR ATTEMPTS TO REACH THE CONTENT OF THE
10 PROCUREMENT RATE.

11 MEMBER CHESBRO: SO YOUR -- YOUR STAFF
IS
12 PROCEEDING ON THAT IN A SEPARATE FRONT TOO?

13 MS. TRGOVCICH: CORRECT. WE'VE HAD
14 SEPARATE MEETINGS WITH THEM ON THAT.

15 MEMBER CHESBRO: I APPRECIATE GETTING
THAT
16 UPDATE. THANKS.

17 MS. TRGOVCICH: I -- WE'LL FORWARD THAT
18 INFORMATION TO YOU, CERTAINLY.

19 SO THAT WAS A VERY EFFECTIVE

MEETING

20 YESTERDAY.

21 WE HAVE THIS MORNING -- I'M GOING
22 TO

22 BE IDENTIFYING MY LAST -- TWO OF MY LAST ITEMS

23 WILL BE FOCUSED ON OUR REREFINED OIL

INITIATIVES,

24 AND WE'RE GOING TO BE SHOWING A VERY SHORT
25 VIDEO

25 CLIP THAT WAS RECENTLY PRODUCED USING GRANT
FUNDS

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1 THROUGH THE USUAL GRANT PROGRAM. AND SINCE WE
2 MIGHT WELL END ON THAT NOTE OF THE CLIP, I JUST
3 WANT TO TAKE AN OPPORTUNITY AS WELL HERE BEFORE WE
4 MOVE INTO THAT ITEM TO ANNOUNCE, AS YOU ARE ALL
5 AWARE, THAT WE HAVE RECENTLY LOCKED IN A DATE FOR
6 THE LOAN PROGRAM WORKSHOP OF FEBRUARY 5TH.

7 SO WE'RE LOOKING AT ABOUT TWO MONTHS
8 FROM NOW, WE WILL BE HOLDING A WORKSHOP IN MORE OF
9 A ROUND TABLE-TYPE OF A FORUM HERE IN THE BOARD
10 ROOM TO FOCUS ON THE VARIOUS LOAN PROGRAM ISSUES
11 THAT HAVE COME TO LIGHT THAT HAVE BEEN RAISED TO
12 OUR ATTENTION THAT WE NEED TO ADDRESS AND HAVE
13 DISCUSSIONS AROUND.

14 I KNOW THAT I FORWARDED TO YOUR
15 OFFICES COPIES OF A DRAFT OUTLINE. I'M IN THE
16 PROCESS OF FORWARDING THAT SAME DRAFT OUTLINE TO
17 OUR ZONE ADMINISTRATORS AND LOAN COMMITTEE MEMBERS
18 SO THAT THEY CAN PROVIDE US INPUT ON THE SCOPE OF
19 THAT WORKSHOP AND ADD ANY ADDITIONAL TOPICS THAT
20 THEY THINK WARRANT DISCUSSION.

21 CHAIRMAN RELIS: SO WE'RE GOING TO MAKE A
22 CONCERTED EFFORT TO GET THE WORD OUT ABOUT THIS
23 BECAUSE THIS WILL BE A VERY IMPORTANT WORKSHOP.

24 MS. TRGOVCICH: RIGHT. A VERY CONCERTED
25 EFFORT.

1 IN FACT, YOU CAN ALMOST LOOK AT THIS
2 AS A REGULATIONS PROCESS IN THE SENSE THAT WE'RE
3 DOING AN INFORMAL PERIOD AND THEN A FORMAL PERIOD.

4 INFORMAL MEANING TRYING TO SOLICIT
5 FROM ANYONE WHO HAS THOUGHTS, COMMENTS, INTERESTS
6 IN THE PROGRAM UP FRONT, THEIR INPUT ON WHAT THE
7 WORKSHOP SHOULD COVER SO WE MAKE SURE TO GET
8 EVERYTHING OUT THERE. AND THEN IF YOU WANT TO SAY
9 A FORMAL PERIOD WHERE WE MAKE SURE TO GET AMPLE
10 NOTIFICATION OUT TO ALL INTERESTED PARTIES TO
11 FACILITATE GOOD PARTICIPATION, THOUGHTFUL
12 DISCUSSION, AND A GOOD OUTCOME FOR THE BOARD.

13 CHAIRMAN RELIS: ALL RIGHT.

14 MS. TRGOVCICH: THE LAST ITEM THAT I'D LIKE
15 TO DISCUSS TODAY HAS TO DO WITH THE REREFINED OIL
16 INITIATIVE AND THE BUY -- THE EFFORTS OF THE BUY
17 RECYCLE PROGRAM STAFF.

18 WE'VE NOTICED RECENTLY AN INCREASE IN
19 LOCAL GOVERNMENTS REQUESTING INFORMATION ON BUYING
20 REREFINED OIL. THIS INCREASED INTEREST ESPECIALLY
21 APPEARS TO BE DUE TO AN INFOCYCLING ARTICLE THAT
22 APPEARED IN THE OCTOBER 1996 ISSUE OF
23 "INFOCYCLING" WHERE WE TALKED ABOUT HOW LOCAL
24 GOVERNMENTS HAVE AN OPPORTUNITY TO PURCHASE

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25 REREFINED OIL FROM THE STATE LUBRICATION CONTRACT.

1 WE EXPECT ADDITIONAL LOCAL GOVERNMENT
2 INTEREST IN REREFINED OIL PURCHASES AS A RESULT OF
3 TWO VIDEOS AND WORKSHOPS BEING PUT ON BY THE
4 COMMUNITY ENVIRONMENTAL COUNCIL AND BECAUSE LOCAL
5 GOVERNMENT BLOCK GRANTS OF THE USED OIL PROGRAM
6 ALLOW LOCAL GOVERNMENTS TO GIVE A 10-PERCENT PRICE
7 PREFERENCE TO THE PURCHASE OF REREFINED OIL AND TO
8 GIVE OUT FREE SAMPLES OF REREFINED OIL.

9 THE VIDEO THAT YOU'RE ABOUT TO SEE
10 THAT KIND OF HIGHLIGHTS THIS EFFORT AND WAS
11 PRODUCED BY THE CEC IS REALLY A JOINT INITIATIVE
12 OF BOTH THE MARKET DEVELOPMENT DIVISION AS WELL AS
13 THE LOCAL PLANNING DIVISION WHERE WE SEE STAFF AT
14 THE PLANNING DIVISION COMING TOGETHER THROUGH THE
15 USED OIL GRANT PROGRAM THROUGH THEIR EFFORTS TO
16 OUTREACH TO LOCAL GOVERNMENT COMBINED WITH THE
17 EFFORTS OF THE MARKET DEVELOPMENT DIVISION STAFF
18 WHERE IT FOCUSED ON BUY RECYCLE COMING TOGETHER TO
19 PRODUCE WHAT WE FEEL IS A VERY EFFECTIVE PIECE.

20 WE'RE GOING TO SHOW YOU THE FIRST TWO
21 MINUTES OF THE VIDEO JUST TO GIVE YOU A SENSE OF
22 THE KIND OF EFFORTS THAT WE'RE TRYING TO GET OUT
23 THERE.

24 THE VIDEO IN ITS ENTIRETY, I BELIEVE,
25 WILL BE SHOWN AT THE LOCAL ASSISTANCE AND PLANNING

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1 COMMITTEE MEETING IN JANUARY.

2 CHAIRMAN RELIS: AND HOW LONG IS THE ENTIRE
3 VIDEO?

4 MS. TRGOVCICH: FIFTEEN MINUTES.

5 MR. ROBINSON: IT'S ABOUT FIFTEEN MINUTES.

6 CHAIRMAN RELIS: SO YOU FIGURE WE HAVE
7 ABOUT A TWO-MINUTE ATTENTION SPAN.

8 MEMBER PENNINGTON: MR. CHAIRMAN, BEFORE WE
9 GET INTO THE TAPE, I'D JUST LIKE TO ASK, WHEN YOU
10 MET WITH MR. GRADY --

11 MS. TRGOVCICH: UH-HUH.

12 MEMBER PENNINGTON: -- DID YOU TALK ABOUT
13 THE USE OF REREFINED OIL IN THE STATE?

14 MS. TRGOVCICH: WE TALKED MORE GENERALLY
15 ABOUT ALL ELEVEN AREAS THAT WE'RE PURSUING AND
16 WE'RE ASKING THEM TO PURSUE THE MASTER CONTRACTS
17 IN.

18 WE WILL BE INTENDING TO FOLLOW UP
19 DISCUSSIONS WITH MR. GRADY AND PAT BAILEY, AS
20 WELL, WHO WILL BE THEIR FULL-TIME RESOURCE ON EACH
21 OF THOSE CONTRACTS SPECIFICALLY.

22 MEMBER PENNINGTON: IT SEEMS TO ME -- I WAS
23 JUST DOWN IN VENTURA COUNTY, AND IN ALL OF VENTURA
24 COUNTY, VEHICLES ARE USING REREFINED OIL. AND IT
25 CERTAINLY SEEMS THAT ALL THE STATE VEHICLES OUGHT

1 TO BE FILLED UP.

2 MS. TRGOVCICH: THAT WILL BE AT THE TOP OF
3 OUR BUSINESS WHEN THE NEW RESOURCE, PAT BAILEY, IS
4 ASSIGNED.

5 MEMBER PENNINGTON: RIGHT NEXT TO
6 NEWSPRINT.

7 MS. TRGOVCICH: RIGHT NEXT TO NEWSPRINT.

8 MEMBER CHESBRO: DO WE KNOW TO WHAT DEGREE
9 THEY ARE?

10 MS. TRGOVCICH: I'LL HAVE TO DEFER TO JIM
11 ROBINSON OF THE MARKETS DIVISION TO RESPOND TO
12 THAT.

13 MR. ROBINSON: WELL, FIELD IS GROWING OUT
14 OF THE LOCAL GOVERNMENTS. RIGHT NOW FOR STATE
15 GOVERNMENT, THERE'S NO PROBLEM.

16 CHAIRMAN RELIS: COULD YOU SPEAK INTO THE
17 MIKE A LITTLE MORE?

18 MR. ROBINSON: FOR STATE GOVERNMENT,
19 THERE'S NO PROBLEM. RIGHT NOW WE'RE APPROACHING
20 APPROXIMATELY -- OH, WE HAVE PROMISED TO PURCHASE
21 APPROXIMATELY ABOUT 170,000 GALLONS PER YEAR ON A
22 TWO-YEAR CONTRACT, AND THAT'S A RISE FROM AN
23 ESTIMATED ABOUT 60,000 GALLONS ON A PREVIOUS YEAR
24 CONTRACT, AND ALSO, TOO, BECAUSE THAT INFO ARTICLE

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25 IS THAT WE MAKE IT AVAILABLE FOR LOCAL GOVERNMENTS

1 TO PURCHASE ON THE SAME PRICE THAT THE STATE
2 GOVERNMENT CAN DO IT, AND SOME OF THE PROBLEMS OUT
3 IN THE FIELD WITH LOCAL GOVERNMENTS IS DEFINITELY
4 EDUCATION, AND THIS IS WHERE THE VIDEO IS GOING TO
5 HELP ON THAT, BUT ALSO AVAILABILITY, AND THIS IS
6 WHERE THE STATE CONTRACT CAN HELP.

7 THERE'S STILL A PROBLEM ON PRICE
8 BECAUSE SOME LOCATIONS CAN STILL PURCHASE AT A
9 LOWER -- A VIRGIN AT A LOWER PRICE EVEN WITH THE
10 10 PERCENT ON REFINED.

11 MEMBER CHESBRO: DO WE KNOW WHAT PORTION
12 THAT -- WHAT DID YOU SAY? 180,000 -- WHAT PORTION
13 OF THE TOTAL STATE VEHICLE USAGE THAT REPRESENTS?

14 MR. ROBINSON: IT REPRESENTS THE ENTIRE
15 STATE CONTRACT AS APPROXIMATELY ABOUT 205,000,
16 210,000.

17 MEMBER CHESBRO: SO MOST.

18 MR. ROBINSON: SO THAT'S A GOOD PERCENTAGE.

19 WORKING WITH CALTRANS AND DEPARTMENT
20 OF GENERAL SERVICES, WE PUT ON THE CONTRACT AS
21 MUCH AS WE COULD THAT TECHNOLOGY
WAS AVAILABLE,

22 AND IT'S STILL OPEN FOR
TECHNOLOGY IF IT REACHES

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23 THAT POINT THAT CAN SUBMIT IT
AND THEN DGS IN A

24 SENSE WILL CONVERT IT OVER.

25 SO ON OUR NEXT
CONTRACT AFTER TWO

1 YEARS, WE'LL LOOK AT EVEN MORE.

2 MEMBER PENNINGTON: GOOD.

3 MS. TRGOVCICH: JUST RIGHT -- RIGHT AS THE
4 CLIP'S STARTING, I JUST WANT TO EXPRESS THANKS TO
5 BOTH JIM ROBINSON OF THE WASTE PREVENTION AND
6 MARKETING DEVELOPMENT DIVISION AND NORA KEANE, THE
7 GRANT MANAGER ON THIS CONTRACT FOR THE PLANNING
8 DIVISION, FOR THEIR EFFORTS IN WORKING TOGETHER
9 AND WORKING WITH THE COMMUNITY ENVIRONMENTAL
10 COUNCIL TO PRODUCE THE VIDEO, WHICH, OF COURSE,
11 AGAIN, YOU WILL SEE IN WHOLE AT THE PLANNING
12 COMMITTEE MEETING IN JANUARY.

13 CHAIRMAN RELIS: I'D LIKE TO ALSO ATTEST TO
14 JIM'S WORK. I WAS WITH HIM IN THOUSAND OAKS A
15 MONTH OR SO AGO WITH ONE OF THE COUNTY SUPERVISORS
16 AND A GROUP FROM JIFFY LUBE AND OTHER --

17 MR. ROBINSON: UNOCAL.

18 CHAIRMAN RELIS: -- UNOCAL AND OTHERS.

19 IT WAS A GOOD DISCUSSION OF THE
20 PROSPECTS FOR REREFINED OIL, AND I THINK HE DID A
21 FINE JOB ON IT.

22 MR. ROBINSON: JUST TO GIVE SOME BACKGROUND
23 ON THE VIDEO IS THAT THE VIDEO IN A SENSE -- A
24 FLEET SUPERVISOR COMES AND TALKS TO ONE OF HIS

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25 MECHANICS AND ASKS HIM TO USE USED OIL, AND THE

1 MECHANIC IS SAYING ALL THE TYPES OF MYTHS THAT HE
2 THINKS USED OIL IS, AND THAT'S THE PORTION THAT
3 WE'RE SEEING.

4 MR. ROBINSON: THERE'S APPROXIMATELY TWO
5 MINUTES. IT GOES ON EACH MINUTE AND DISPROVES IT.

6 CHAIRMAN RELIS: WHERE DID HE GET THESE?
7 ARE THESE REAL MECHANICS?

8 MR. ROBINSON: NO. THEY'RE ACTORS.

9 MEMBER CHESBRO: THEY'RE GOOD.

10 CHAIRMAN RELIS: THEY ARE GOOD.

11 MEMBER CHESBRO: QUITE CONVINCING.

12 MS. TRGOVCICH: I THINK WE HAVE -- MAYBE
13 JIM CAN PROVIDE FOR YOU. I KNOW HE'S GOT 300
14 COPIES OF THIS VIDEO SITTING IN HIS OFFICE. MAYBE
15 JUST DESCRIBE THE DISTRIBUTION FOR YOU.

16 MR. ROBINSON: THE USED OIL PROGRAM
17 PROVIDED ME WITH 300 COPIES OF THIS, AND MY INTENT
18 WAS IN A SENSE FLOOD THE MARKET WITH IT.

19 RIGHT NOW IT'S ON A HOLDING PATTERN
20 BECAUSE THE COMMUNITY ENVIRONMENTAL COUNCIL IS
21 STILL IN THE PROCESS OF GIVING WORKSHOPS AND
22 HANDING OUT THE VIDEO. BUT AROUND CHRISTMASTIME,
23 THAT'S WHEN WE GO INTO THE NEW YEAR, I'LL BE
24 SENDING THESE OUT TO LOCAL GOVERNMENTS UPON
25 REQUEST AND EVEN TO PRIVATE BUSINESSES AND

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1 OTHER -- OTHER ONES.

2 MEMBER CHESBRO: THANKS.

3 CHAIRMAN RELIS: THAT SHOULD BE A GREAT
4 TOOL TO SELL TO COMPANIES. I MEAN NOT SELL, BUT,
5 YOU KNOW, MARKET.

6 MR. ROBINSON: THERE'S A LOT OF COMPANIES
7 RIGHT NOW THAT ARE ON THE WAITING LIST. THEY WANT
8 THIS VIDEO OUT THERE, SO I EXPECT THE DEMAND FOR
9 REREFINED OIL IN THE NEAR FUTURE TO GO STRAIGHT
10 UP.

11 MEMBER CHESBRO: GREAT.

12 CHAIRMAN RELIS: GOOD WORK.

13 OKAY. WE'LL NOW GO INTO THE AGENDA,
14 AND I'LL -- I'D LIKE TO SAY A FEW WORDS AT THE
15 OUTSET.

16 WE'VE GOT A PRESENTATION BY SMURFIT
17 NEWSPRINT CORPORATION AND AGRI-PULP INC. ON THE
18 USE OF RICE STRAW POSTCONSUMER PAPER TO PRODUCE
19 NEWSPRINT.

20 THIS IS AN ORAL PRESENTATION, AND
21 JUST A FEW WORDS BY BACKGROUND.

22 I'VE HAD THE CHANCE TO MEET WITH --
23 LET'S SEE -- IT WOULD BE MIKE SIEBERS, WHO'S WITH
24 THE SMURFIT NEWSPRINT CORPORATION OUT OF OREGON
25 CITY, OREGON, AND ROBERT BLAIR, WHO IS
INVOLVED IN

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1 THIS PROJECT, AND AL WONG.

2 I BECAME INTRIGUED BY IT BECAUSE
3 HERE'S A COMBINATION OF BOTH AN ENVIRONMENTAL
4 PROBLEM, THE RICE STRAW PROBLEM, THE BURNING OF
5 THE RICE STRAW, WHICH WE ALL KNOW FROM AROUND HERE
6 IS A SEASONAL DILEMMA FOR AIR QUALITY PURPOSES AND
7 FOR AGRICULTURE.

8 AND THEN WE HAVE A TECHNOLOGY TO
9 CAPTURE THIS MATERIAL AND COMBINE IT WITH WHAT I
10 UNDERSTAND RECYCLED PAPER TO PRODUCE NEWSPRINT,
11 AND THAT IS A FUNDAMENTAL PRODUCT, AS WE KNOW, A
12 FOREST PRODUCT. AND SMURFIT IS, I BELIEVE, THE
13 WORLD'S LARGEST PRODUCER OF RECYCLED NEWSPRINT IN
14 THE WORLD, AND WE HAVE AN OPPORTUNITY HERE TO
15 PERHAPS BE ONE OF THE PIONEERING LOCATIONS FOR
16 THIS NEW APPROACH TO PAPER MAKING.

17 SO I THINK WE'RE ALL VERY INTERESTED
18 IN HEARING WHAT YOU HAVE TO TELL US TODAY.

19 SO I'D LIKE TO INVITE AL, MIKE, AND I
20 DON'T KNOW IF DR. BLAIR IS PART OF THIS
21 PRESENTATION OR NOT.

22 AL, WOULD YOU PLEASE IDENTIFY
23 YOURSELF IN THE MIKE FOR THE REPORTER?

24 MR. WONG: MY NAME IS AL WONG. I'M WITH
25 AGRI-PULP. THANK YOU, MR. CHAIRMAN, FOR THE

1 OPPORTUNITY TO GIVE A BRIEF PRESENTATION ABOUT
2 WHAT WE HAVE DONE WITH CALIFORNIA RICE STRAW AND
3 DEVELOPMENT OF AN AGRI-PULP NEWSPRINT, AND I COULD
4 SAY THAT THIS IS THE FIRST TIME THAT MULTI-GRAIN
5 AGRI-PULP NEWSPRINT HAS EVER BEEN MADE AND IS MADE
6 HERE IN THIS COUNTRY, SO LET ME FIRST START WITH
7 THE PRESENTATION.

8 I THINK THIS PICTURE'S WELL-KNOWN TO
9 PEOPLE. THERE'S OVER A MILLION TONS OF RICE STRAW
10 BEING SURPLUSED AND ACTUALLY GOES UP IN SMOKE
11 EVERY YEAR.

12 SO THE CONCEPT THAT WE HAVE IS THAT
13 THIS IS A SURPLUS FIBER THAT COULD BE TURNED INTO
14 PAPER PRODUCTS, SO THE TECHNOLOGY THAT WE HAVE
15 WOULD, FOR EXAMPLE, LOCATE A MILL IN THE MIDDLE OF
16 THE VALLEY, TAKE THE RICE STRAW, CONVERT IT INTO
17 FIBER FOR PAPER MAKING, AND THE SO-CALLED WASTE
18 MATERIAL IS ACTUALLY CONVERTED INTO A VALUE-ADDED
19 FERTILIZER.

20 SO EFFECTIVELY THIS WOULD BE A ZERO
21 EFFLUENT PULP MILL.

22 MEMBER CHESBRO: MEANING THE SLUDGE FROM
23 THE PLANT?

24 MR. WONG: THIS IS THE LIQUID WASTE.

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25

HOW THIS COMES ABOUT IS THAT WE START

20

1 USING A POTASSIUM CHEMICAL, AND POTASSIUM CHEMICAL
2 EVENTUALLY ENDS UP AS A POTASSIUM FERTILIZER.

3 SO THE CONCEPT IS DIFFERENT; IT'S
4 BEEN PATENTED. SO WE THOUGHT, WELL, THIS IS
5 INTERESTING, BUT WE DON'T KNOW ANYTHING ABOUT RICE
6 STRAW, AND THE THING TO DO, CAN YOU ACTUALLY MAKE
7 THE PULP AND EVENTUALLY MAKE THE PAPER?

8 SO THE QUESTION IS THAT IS THERE
9 ECONOMICS IN IT, AND WE THINK SO. WE THINK
10 THERE'S MONEY IN THE STRAW. SIMPLY FOR THE FACT
11 IS THAT WE'RE NOT TAKING WASTE -- WASTE MATERIAL
12 FROM THE FARMERS. WE'RE ACTUALLY GOING TO GIVE
13 THEM REAL MONEY FROM THE AGRI-PULP MILL'S POINT OF
14 VIEW, AND IF YOU LOOK AT THE VERY TABLE HERE, THE
15 PRESENT INCOME IS \$96 AN ACRE.

16 IF AGRI-PULP WAS PUT INTO PLACE AND
17 WE CAN PAY THEM \$40 A TON, THE FARMER'S INCOMES
18 GOES UP TO \$117.

19 NOW YOU CAN PLAY AROUND WITH THESE
20 NUMBERS, BUT THE FACT IS IT'S NOT ZERO INCREMENTAL
21 INCOME; IT'S ACTUALLY A REAL NUMBER, AND THAT
22 GIVES THE KIND OF INCENTIVE, WE THINK, TO DEAL
23 WITH AN AIR POLLUTION PROBLEM, A WASTE MANAGEMENT
24 PROBLEM, AS WELL AS CREATING A NEW BUSINESS

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25 OPPORTUNITY.

21

1 CHAIRMAN RELIS: IT'S HARD TO READ. I
2 DON'T KNOW HOW OTHER PEOPLE'S EYES ARE.

3 MEMBER CHESBRO: CAN YOU MAKE IT ANY
4 LARGER?

5 CHAIRMAN RELIS: AL, YOU GOT TO WORK ON
6 YOUR WRITING HERE.

7 MR. WONG: OKAY. THIS IS TOO HIGH-TECH FOR
8 ME.

9 MEMBER CHESBRO: THAT'S JUST ABOUT RIGHT.

10 MR. WONG: WE'LL START AGAIN.

11 SO RICE PRODUCTION COSTS, IT'S \$765.
12 THE PRODUCT INCOME IS PLUS 595. THERE'S FEDERAL
13 FARM SUBSIDY AS IT STANDS TODAY, SO THE NET INCOME
14 FOR THE FARMERS IS PLUS \$96 AN ACRE.

15 SO HOW MUCH IT COSTS TO BRING THE
16 STRAW TOGETHER, BALING COSTS, \$75 AN ACRE, STORAGE
17 12, SHIPPING 12, AND STRAW SALES TO THE AGRI-PULP
18 MILL AT \$40 A TON, THREE TONS AN ACRE, AND YOU ADD
19 THEM ALL UP, YOU HAVE PLUS \$117.

20 SO THAT'S QUITE A FEW DOLLARS OVER
21 THE EXISTING BASE OF \$96, SO THAT IMMEDIATELY
22 GIVES THE ECONOMIC INCENTIVE FOR PEOPLE TO GET
23 THINGS TOGETHER.

24 NOW THAT'S GOOD ON THE ECONOMIC
SIDE.

25 I THINK ONE IMPORTANT QUESTION THAT WE FACE

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QUITE

1 FREQUENTLY IS IS THIS AGRICULTURAL FIBER
2 RECYCLABLE? OKAY. THAT'S A BIG QUESTION.

3 WE TAKE IT OFF THE FIELD, WE MAKE
4 PAPER. WHAT HAPPENS TO IT AFTERWARDS?

5 NOW, WE HAVE NOT STUDIED RICE STRAW
6 SPECIFICALLY, BUT THERE ARE ENOUGH SCIENTIFIC
7 LITERATURE AVAILABLE ABOUT WHEAT STRAW BEING
8 RECYCLABLE, AND THE STUDIES SHOW THAT, YES, YOU
9 CAN RECYCLE THE THING. IF ANYTHING, THE STRENGTH
10 PROPERTY OF THE FIBER WILL GO UP SLIGHTLY, SO --

11 MEMBER CHESBRO: WOULD THAT BE TRUE AT ANY
12 NEWSPRINT MILL OR JUST AT THE MILL THAT WOULD BE
13 PRODUCING THIS NEWSPRINT?

14 COULD IT GO TO A -- COULD A PIECE OF
15 NEWSPRINT THAT HAS THE RICE FIBER IN IT GO TO
16 ANOTHER MILL THAT DOESN'T USE RICE STRAW AS ITS --

17 MR. WONG: YES, IT CAN. IT'S JUST A
18 GENERAL PURPOSE WASTE PAPER ULTIMATELY FROM A
19 NEWSPRINT MILL, BUT THE QUESTION IS THAT IS THE
20 AGRI-PULP FIBER COMPONENT RECYCLABLE, AND THAT'S A
21 VERY FUNDAMENTAL QUESTION.

22 DOES IT ALL DISSOLVE INTO MUSH AND
23 YOU CAN'T DO ANYTHING AND IT BECOMES ANOTHER WASTE
24 DISPOSAL PROBLEM. AND IT TURNS OUT, BASED ON THE
25 EVIDENCE WE SEE TODAY IN THE SCIENTIFIC

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1 LITERATURE, YES, IT CAN BE RECYCLED. SO THAT'S A
2 VERY IMPORTANT THING TO SETTLE BEFORE WE EVEN GET
3 TO THE FIRST BASE.

4 NOW, THIS ONE -- I THINK I COULD HAVE
5 TO ZOOM IN. WHOOPS. OKAY. SO WHEN THE SUN, THE
6 STAR, AND THE MOON, EVERYTHING LINES UP, YOU SAY
7 IT'S TIME TO GO, AND THE REASON WHY THIS IS TRUE
8 IS THAT THERE IS A FUNDAMENTAL PROBLEM OF SURPLUS
9 STRAW DISPOSAL. THERE'S A TIMELINE.

10 THIS THING THAT IS TO BE PHASED OUT
11 IN BURNING, BUT THERE'S ALSO AN OPPORTUNITY FROM
12 THE FIBER SOURCE'S POINT OF VIEW, BECAUSE IN THE
13 PACIFIC NORTHWEST, AT LEAST, WOOD FIBERS AND SOME
14 SORT OF SHORTAGE BASIS, IT'S NOT ECONOMICALLY
15 ACCESSIBLE.

16 WASTE PAPER FIBER'S AVAILABLE FROM
17 TIME TO TIME, BUT SOMETIMES IT BECOMES UNAFFORD-
18 ABLE FOR VARIOUS MARKET REASONS. AND BECAUSE WE
19 HAVE A TECHNOLOGY THAT DEALS WITH SUBSEQUENT
20 MANUFACTURING PROCESS POLLUTION, MAYBE THIS IS THE
21 ECONOMIC TIME TO GET THINGS ROLLING.

22 SO THE FARMERS IN COLUSA COUNTY HAS
23 KINDLY DONATED 30 TONS OF STRAW IN MID-YEAR. THEY
24 SENT IT UP TO CANADA WHERE WE HAVE A DEMONSTRATION

25 PULP MILL.

24

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1 WE CONVERT THAT STRAW INTO PULP, SEND
2 IT DOWN TO OREGON CITY. OREGON WITH OUR FRIEND
3 SMURFIT NEWSPRINT AND DEVELOPMENT PROJECT, WHAT WE
4 CALL THE AGRI-PULP NEWSPRINT PROJECT, AND ACTUALLY
5 MAKE PAPER, AND THAT PAPER ENDS UP IN THE DAILIES
6 IN CALIFORNIA FOR PRINTING.

7 AND I CAN SAY THAT THE "LOS ANGELES
8 TIMES" HAVE TESTED THIS PAPER, "THE SANTA ROSA
9 PRESS DEMOCRAT," "THE SACRAMENTO BEE," "THE SAN
10 JOSE MERCURY NEWS," "THE ORANGE COUNTY REGISTER,"
11 AND "PARADISE POST" UP IN THE VALLEY HERE HAVE ALL
12 TESTED THIS PAPER AND THEY HAVE RAN WELL, SO
13 THERE'S NO FUNDAMENTAL PROBLEM RIGHT NOW ON THE
14 FIRST TRY, WHICH IS QUITE PROMISING. OF COURSE,
15 WE CAN ALWAYS IMPROVE ON THE PRODUCT.

16 SO THIS EVENT ACTUALLY TOOK PLACE,
17 AND I WON'T BLOW IT UP, BUT THE HEADLINE SAID
18 "SMURFIT IS GOING TO TEST THIS PRODUCT." AND THIS
19 EVENT ACTUALLY TOOK PLACE AN OCTOBER 24TH, AND
20 THIS -- THIS IS THE PICTURE THAT WE ALWAYS SHOW TO
21 PEOPLE. THIS IS A RICE FIELD. THE BOTTOM'S FROM
22 THE SACRAMENTO VALLEY. THE TOP PART, THE CLEAN
23 AIR IS NOT FROM THE SACRAMENTO VALLEY, BUT THE
24 CLIP IN THE PICTURE TO MAKE IT CLEAR, SO THAT'S
25 WHY YOU SEE THE HORIZON'S RATHER FLAT. AND WHAT

1 IT SAYS HERE IS THAT THE "FIELD OF REAMS" -- WELL,
2 I DON'T LOOK LIKE KEVIN COSTNER, BUT THIS IS THE
3 PRODUCT.

4 SO I'LL TURN IT OVER TO MY COLLEAGUE
5 HERE, MIKE SIEBERS FROM SMURFIT NEWSPRINT, AND
6 HE'S GOING TO TALK ABOUT WHAT HAPPENED IN THE
7 PAPER MAKING AND THE PRINTING TRIAL.

8 MIKE.

9 MR. SIEBERS: IS THAT LEGIBLE?

10 MY NAME IS MIKE SIEBERS. I'M THE
11 VICE-PRESIDENT AND GENERAL MANAGER OF THE SMURFIT
12 NEWSPRINT OREGON CITY MILL. AND THE REASON I'M
13 HERE TODAY IS TO DISCUSS THE REASON THAT WE WERE
14 INTERESTED IN THE AGRI-PULP PROCESS AND MAYBE GIVE
15 THIS -- THE BOARD A LITTLE INSIGHT INTO THE THINGS
16 THAT WE SAW WHEN WE UNDERTOOK THE EXPERIMENT TO
17 TRY TO MAKE NEWSPRINT OUT OF AGRI-PULP.

18 THE FIRST SLIDE HERE IS BASICALLY AN
19 OVERVIEW OF WHAT -- WHAT WE DID DURING THE TRIAL.

20 OUR PURPOSE FROM THE SMURFIT
21 NEWSPRINT PERSPECTIVE IS WE'RE ALWAYS LOOKING FOR
22 ALTERNATIVE FIBER RESOURCES OR EXTENDERS, ANYTHING
23 THAT YOU CAN FIND THAT WOULD ALLOW YOU TO -- TO
24 HARBOR YOUR RESOURCES AND -- AND CONTAIN YOUR
25 RESOURCES OR OTHER RESOURCES THAT MIGHT IMPROVE

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1 YOUR PRODUCT, SO FROM THAT STANDPOINT, WE WERE
2 VERY INTERESTED IN THE AGRI-PULP PRODUCT.

3 WE NORMALLY MAKE -- AND FOR THIS
4 TRIAL PURPOSES, WE MADE A 30-POUND STANDARD
5 NEWSPRINT, WHICH IS -- IS PRETTY MUCH THE
6 ESTABLISHED BASIS WEIGHT FOR MOST NEWSPRINT ON THE
7 WEST COAST.

8 OUR USUAL MIX OF PULP WHEN WE MAKE
9 NEWSPRINT IS -- IS A HIGH PERCENTAGE OF DE-INK
10 STOCK. WE USE A LOWER PERCENTAGE OF TMP PULP,
11 WHICH IS PULP MADE FROM WOOD CHIPS.

12 MEMBER CHESBRO: WHEN YOU SAY DE-INK PULP,
13 YOU'RE TALKING ABOUT RECYCLED NEWSPAPERS?

14 MR. SIEBERS: RECYCLED NEWSPAPERS AND
15 MAGAZINES FLOW WITH IT IN OUR PARTICULAR MILL.

16 WHEN I'M DISCUSSING A TRIAL, I'M
17 DISCUSSING THE TRIAL ON A PARTICULAR PAPER MACHINE
18 AT SMURFIT NEWSPRINT'S OREGON CITY MILL.

19 IT'S THE NUMBER ONE PAPER MACHINE,
20 AND -- AND I THINK YOU HAVE TO UNDERSTAND
21 DIFFERENT MACHINES AND DIFFERENT PROCESSES MIGHT
22 REACT A LITTLE BIT DIFFERENTLY THAN -- THAN WHAT
23 WE SAW, BUT -- SO -- SO OUR EXPERIENCE IS WHAT WE
24 SAW ON THAT PARTICULAR PAPER MACHINE.

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1 DIFFERENT LEVELS OF AGRI-PULP INTO THE NEWSPRINT,
2 A 10-PERCENT LEVEL AND A 20-PERCENT LEVEL, AND THE
3 REASON THE PERCENTAGES ARE FAIRLY LOW IS BECAUSE
4 WE HAD A LARGE NUMBER OF CUSTOMERS INTERESTED IN
5 GETTING NEWSPRINT MADE WITH AGRI-PULP IN IT, AND
6 WE DIDN'T HAVE A LOT OF PULP, SO WE COULDN'T MAKE
7 A HIGH PERCENTAGE OF SUBSTITUTION RATE IN THE
8 PAPER THAT WE MADE.

9 THE BLEND OF AGRI-PULP WE USED WAS A
10 BLEND OF RICE STRAW, RYE STRAW, AND FESCUE STRAW,
11 AND I'LL PUT UP THIS NEXT SLIDE JUST TO SHOW --
12 GIVE YOU A LITTLE BETTER PICTURE OF -- OF THE
13 DETAILS OF IT.

14 OUR NEWSPRINT ON THIS MACHINE IS --
15 WHEN WE MADE THE PAPER WITH THE 20-PERCENT STRAW
16 PULP IN IT, THIS IS BASICALLY THE MIX WE HAD. WE
17 HAD 58 PERCENT DE-INKED PULP IN THE MIX, 20
18 PERCENT TMP, A LITTLE CHEMICAL PULP, THE SPK, AND
19 THEN 20 PERCENT AGRI-PULP.

20 THAT AGRI-PULP WAS COMPOSED OF 15
21 FESCUE STRAW, 30 PERCENT RICE STRAW, AND 55
22 PERCENT RYE STRAW FROM THE WILLAMETTE VALLEY. AND
23 THE REASON THE MIX WAS THAT IS BECAUSE THAT'S
24 BASICALLY THE STRAWS THAT AL HAD ON HAND AT THE
25 TIME, AND IT TOOK QUITE A BIT OF TIME TO -- TO

1 DEVELOP ENOUGH PULP JUST TO RUN THIS TRIAL. IT
2 TOOK A LITTLE OVER A MONTH OF HIS PRODUCTION TO DO
3 THAT.

4 MEMBER CHESBRO: ARE YOU TESTING THE OTHER
5 TYPES BECAUSE THERE ARE SIMILAR DISPOSAL PROBLEMS
6 ELSEWHERE IN THIS COUNTRY?

7 MR. SIEBERS: VERY, VERY ASTUTE. THE RYE
8 STRAW WAS IN THERE BECAUSE IT'S -- IT'S AN ISSUE
9 IN THE WILLAMETTE VALLEY.

10 THE FESCUE WAS IN THERE BECAUSE WHEN
11 WE LOOKED AT PULP TRIAL INFORMATION AND LAB
12 INFORMATION, FESCUE LOOKED LIKE A VERY GOOD
13 MATERIAL TO TRY AND MAKING AGRI-PULP OUT OF.

14 WE WERE INTERESTED IN SEEING SOME OF
15 THAT, TOO, BUT I THINK MORE OF IT HAD TO DO WITH
16 WHAT WAS ON HAND FOR RAW MATERIALS AT AL'S SITE AT
17 THE TIME.

18 SO THAT'S THE MIX WE RAN.

19 GOING BACK TO THIS SLIDE, WE MADE 180
20 TONS OF PAPER. WE RAN THE PAPER MACHINE FOR A
21 LITTLE OVER 24 HOURS TO DO THAT. THE PAPER RAN AT
22 EIGHT -- EIGHT DIFFERENT PUBLISHING FACILITIES,
23 TWO IN OREGON AND SIX DOWN HERE IN CALIFORNIA.
24 PRINTED QUITE WELL, RAN QUITE WELL IN THE PRESS
25 ROOMS.

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1 THE ONLY COMMENT WE GOT WAS FROM ONE
2 PRESS ROOM, WE GOT A COMMENT ABOUT POTENTIAL
3 CONCERN ABOUT PLATE WEAR LINTING, AND I'LL ADDRESS
4 THAT A LITTLE BIT LATER ON.

5 SOME OF THE MAIN OBSERVATIONS WE SAW
6 ON THE PAPER MACHINE WHEN WE -- WHEN WE PUT THE
7 AGRI-PULP IN THE MIX, WE BACKED OUT OUR DE-INK
8 PULP AND OUR TMP PULP PROPORTIONATELY AS WE ADDED
9 THE AGRI-PULP.

10 WE DID NOT SEE ANY INCREASE IN
11 MACHINE BREAKS ON THE PAPER MACHINE. THE
12 CLEANLINESS OF THE MACHINE WAS GOOD.

13 AGRI-PULP HAS ALMOST A PLEASANT
14 DISTINCTIVE ODOR TO IT THAT -- WHICH IS JUST A
15 LITTLE SIDE POINT.

16 MEMBER CHESBRO: I'M FROM EUREKA, YOU KNOW,
17 AND THOSE MILL OPERATORS USED TO TELL US THAT
18 THOSE PULP MILLS SMELL GOOD TOO.

19 MR. SIEBERS: THIS IS TOTALLY DIFFERENT
20 THAN THAT, TOTALLY DIFFERENT.

21 MEMBER CHESBRO: I ALSO USED TO LIVE IN
22 TACOMA. WE USED TO REFER TO IT AS THE AROMA OF
23 TACOMA.

24 MR. SIEBERS: WE DID SEE SOME ISSUES THAT
25 DEVELOPED ON THE PAPER MACHINE. WE NOTICED AS
WE

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1 INCREASED THE PERCENTAGE OF THE AGRI-PULP IN THE
2 MIX, THAT WE LOST SOME DRAINAGE ON THE MACHINE;
3 THE AMOUNT OF STEAM THAT IT TOOK TO DRY THE PULP
4 WAS INCREASED, AND WE HAD TO CONSTRAIN MACHINE
5 SPEED AT THE HIGHER PERCENTAGES OF AGRI-PULP AS WE
6 APPROACHED THE 20 PERCENT MARK. AND AT THE TIME
7 WE WERE RUNNING A TRIAL, I THINK THE 20 PERCENT
8 LEVEL'S ABOUT AS MUCH AS WE COULD HAVE RUN AND
9 KEPT THE MACHINE IN CONTROL.

10 BUT OUR PURPOSE WAS TO MAKE THE TONS
11 TO GET THE PAPER PUBLISHED, AND -- AND SO WE
12 DIDN'T REALLY PRESS THOSE ISSUES TOO MUCH, AND I
13 THINK THAT'S SOMETHING THAT NEEDS FURTHER
14 INVESTIGATION DOWN THE ROAD.

15 THE OTHER ITEMS ARE NOT IMPORTANT
16 ITEMS THERE.

17 MEMBER CHESBRO: WHEN YOU SAY THAT 20
18 PERCENT WAS -- YOU DIDN'T WANT TO GO ANY HIGHER,
19 DOES THAT MEAN THAT, IN GENERAL, THAT'S CONSIDERED
20 AN UPPER LIMIT OR IS THE POTENTIAL FOR GOING
21 HIGHER?

22 MR. SIEBERS: DIFFERENT -- DIFFERENT
23 EQUIPMENT WILL REACT DIFFERENTLY. IF YOU LOOKED
24 AT THE PROFILE OF THE THREE PULPS THAT WE RAN, THE
25 RICE, THE RYE, AND THE FESCUE, SOME OF THE THINGS

1 THAT STOOD OUT ABOUT -- PARTICULARLY ABOUT THE
2 RICE WAS IT HAS -- HAS A VERY HIGH -- WHAT WE CALL
3 A MINUS 150 FRACTION, WHICH IS THE -- IT'S A
4 MEASURE OF THE LENGTH OF THE FIBERS. AND BECAUSE
5 OF THAT, WHEN YOU HAVE A HIGH PERCENTAGE OF FINES
6 IN THE PULP MIX, YOU TEND TO RETARD DRAINAGE ON
7 THE MACHINE.

8 THERE IS PROBABLY SOME PRACTICAL
9 LIMIT TO -- THAT ANY PERSON WOULD BE ABLE TO GO TO
10 USING THE AGRI-PULP.

11 BASED ON THIS -- AND I SAY WE NEED
12 MORE STUDY, BUT I DON'T THINK YOU COULD PUT A
13 HUNDRED PERCENT AGRI-PULP ON A NEWSPRINT MACHINE
14 AND EXPECT IT TO RUN AT A -- AT A PRODUCTION RATE
15 THAT WOULD BE ACCEPTABLE.

16 BUT KIND OF JUMPING AHEAD A LITTLE
17 BIT TO THE WRAP-UP HERE, THE PAPER TEST RESULTS,
18 AND THIS SLIDE COMPARES PAPER TEST RESULTS ON THE
19 20 PERCENT AGRI-PULP PAPER VERSUS WHAT WE WOULD
20 SEE IN OUR NORMAL NEWSPRINT SHEET ON THIS MACHINE.

21 THE THINGS THAT ARE IMPORTANT TO THE
22 PRINTER IS BRIGHTNESS IS VERY IMPORTANT. WE
23 DIDN'T SEE ANY CHANGE IN BRIGHTNESS. WE WERE ABLE
24 TO RUN A NORMAL BRIGHTNESS OF THE PRODUCT.

25 OPACITY IS -- IS AN IMPORTANT

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1 CHARACTERISTIC FOR PRINTERS BECAUSE IT'S A
2 PRINTABILITY ISSUE FOR THEM. THAT WAS NORMAL.

3 WE ACTUALLY SAW SOME BIG IMPROVEMENTS
4 IN PAPER STRENGTH. THAT'S A FUNDAMENTAL
5 CHARACTERISTIC OF THAT FIBER. IT'S A SLENDER
6 FIBER. IT BONDS BETTER, AND SO YOU GET A HIGHER
7 STRENGTH PAPER PRODUCT RESULTING.

8 AND PROBABLY THE BIGGEST NEGATIVE WE
9 SAW WAS THAT THE SILICA CONTENT IN THE PAPER WENT
10 UP SIGNIFICANTLY, AND THAT -- THAT MIGHT HAVE SOME
11 RAMIFICATIONS AS FAR AS EQUIPMENT WEAR, BOTH IN A
12 PAPER MILL AND IN A PRINTING PRESS FACILITY, PLATE
13 WEAR, THINGS LIKE THAT.

14 TO SUM IT UP, OUR PERSPECTIVE FROM
15 SMURFIT NEWSPRINT IS THAT THE ITEMS THAT NEED
16 FURTHER STUDY, OF COURSE, THE ECONOMIC
17 COMPETITIVENESS OF THE FIBER ITSELF.

18 WE'RE INTERESTED IN IT -- IN THAT AS
19 A SUBSTITUTE FIBER AND, YOU KNOW, I THINK AT AN
20 UNREALISTICALLY HIGH PRICE, WE WOULDN'T BE
21 INTERESTED IN THAT. AT A COMPETITIVELY HIGH
22 PRICE, FIBER PRICE, WE WOULD.

23 OPTIMIZATION OF THE VARIOUS TYPES OF
24 STRAWS FOR NEWSPRINT, I THINK THERE'S WORK TO BE

25 DONE THERE, LOOKING AT NOW MAYBE TAKING EACH ONE

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1 OF THOSE PULPS INDIVIDUALLY AND LOOKING AT IT TO
2 SEE HOW THE MACHINE REACTS, FOR INSTANCE, JUST
3 WITH RICE OR JUST WITH RYE THERE. I THINK THAT'S
4 AN IMPORTANT THING THAT STILL NEEDS TO BE DONE.

5 THERE WERE SOME COSTS THAT HAVE TO BE
6 INVESTIGATED. THE LOST MACHINE SPEED, THE
7 INCREASED STEAM USE, THOSE ARE POTENTIAL ISSUES
8 THAT NEED MORE STUDY.

9 THE WEAR IMPACT OF THE HIGHER SILICA
10 AND DIRT THAT -- PART OF IT HAS TO DO WITH HOW YOU
11 COLLECT THE STRAW FROM THE FIELD. IF YOU GRAB A
12 BUNCH OF DIRT WHEN YOU'RE PICKING THE STRAW UP,
13 THAT END UP -- ENDS UP BLENDING IN WITH THE PULP,
14 AND THAT CAN BECOME A WEAR ISSUE, BUT SOME OF THAT
15 SILICA IS NATURALLY IN THE STRAW FIBER TOO, AND I
16 THINK IT WOULD TAKE A LONG-TERM STUDY TO DETERMINE
17 HOW SIGNIFICANT THE WEAR WOULD BE.

18 REMOVAL OF CHAFF WHICH COMES IN FROM
19 THE CHUTES OF THE STRAW THAT -- THAT DON'T BREAK
20 DOWN. AT THE LEVELS WE RAN, THAT WAS NOT A
21 SIGNIFICANT PROBLEM; BUT IF YOU TRY TO RUN AT A
22 HIGHER SUBSTITUTION LEVEL, I THINK WE'D HAVE TO
23 CLEAN THE PUMP UP A LITTLE BIT BETTER.

24 AND AL TOUCHED A LITTLE BIT ON THE

25 RECYCLABILITY OF PAPER MADE WITH AGRI-PULP, AND
I

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1 THINK THERE'S NO QUESTION THAT -- THAT THIS PULP
2 IS A RECYCLABLE PULP, BUT YOU MIGHT FIND THAT IF
3 YOU HAVE A WOOD PULP FIBER -- LET'S SAY, FOR
4 INSTANCE, IF IT WERE TO RECYCLE SIX TIMES AROUND
5 BEFORE IT'S GONE, YOU MIGHT FIND THAT AGRI-PULP --
6 BASED ON THE STRAW YOU USED, YOU MIGHT GET FOUR
7 TIMES AROUND OR FIVE TIMES AROUND INSTEAD OF SIX
8 TIMES AROUND JUST BECAUSE YOU DON'T HAVE LONG
9 FIBER FRACTIONS IN THE PULP WITH AGRI-PULP.

10 SO THOSE ARE THE FRACTIONS THAT WOULD
11 BREAK DOWN OVER A LONGER PERIOD OF TIME, BUT I
12 DON'T THINK THERE'S ANY QUESTION THAT IT'S A
13 RECYCLABLE PULP.

14 SO THAT IS THE -- THE CONCLUSION.
15 THAT'S WHAT WE SAW. OUR SUMMARY CONCLUSION FOR
16 THE EXPERIMENT WAS THAT THERE'S CERTAINLY A LEVEL
17 OF SUBSTITUTION THAT YOU CAN USE AGRI-PULP TO MAKE
18 NEWSPRINT SHEETS OUT OF, AND I THINK YOU WOULD
19 HAVE TO STUDY THE INDIVIDUAL STRAW PULPS IN MORE
20 DETAIL TO DETERMINE EXACTLY WHAT THAT IS.

21 I HAVE A COPY OF SOME PAPERS THAT
22 JUST SUMMARIZE WHAT I DISCUSSED HERE TODAY THAT
23 I'D BE HAPPY TO HAND OUT AND SOME SAMPLES OF THE
24 NEWSPRINT TOO, IF YOU'D LIKE TO SEE IT.

25 CHAIRMAN RELIS: GIVEN THAT SMURFIT IS A

1 CONSUMER OF A HUNDRED PERCENT POSTCONSUMER PAPER
2 OR RECYCLABLE PAPER, WHAT WOULD -- WHAT WOULD YOU
3 SEE AS THE OVERALL BALANCE ISSUE HERE?

4 SINCE WE AT THE BOARD ARE FOCUSED ON
5 MARKET DEVELOPMENT FOR PAPER GRADE AND THE RICE
6 STRAW WOULD BE A COMPONENT, BUT WOULD IT, IN
7 EFFECT, SUBSTITUTE FOR COLLECTION EFFORTS AND
8 RECOVERY EFFORTS THAT ARE CURRENTLY UNDER WAY, OR
9 WHAT ARE YOUR THOUGHTS?

10 MR. SIEBERS: I DON'T -- I DON'T THINK SO.
11 I THINK THERE'S A LOT OF INFORMATION IN THE
12 LITERATURE THAT -- THAT WOULD SUPPORT THE CONCEPT
13 THAT WE'RE -- THAT THE COUNTRY AS A WHOLE AND THE
14 NATION AS A WHOLE IS FIBER SHORT WHEN IT COMES TO
15 TRYING TO FIND FIBER RESOURCES TO MAKE PAPER OUT
16 OF, AND THAT'S NOT JUST NEWSPRINT. THAT'S ALL
17 KINDS OF PAPER PRODUCTS.

18 SO I DON'T -- IF YOU'RE ASKING DO YOU
19 THINK IT WOULD INTERFERE WITH THE COLLECTION AND
20 THE RECYCLABILITY OF CURRENT PAPER PRODUCTS, I
21 DON'T BELIEVE IT WOULD.

22 AT LOWER SUBSTITUTION LEVELS, IF YOU
23 WERE TRYING TO MAKE PAPER OUT OF A HUNDRED PERCENT
24 AGRI-PULP, I COULDN'T ANSWER THAT QUESTION.

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25 CHAIRMAN RELIS: IT'S OBVIOUSLY --

36

1 MR. SIEBERS: I DON'T THINK YOU COULD MAKE
2 NEWSPRINT OUT OF A HUNDRED PERCENT AGRI-PULP. I
3 THINK YOU'RE TALKING ABOUT LOWER SUBSTITUTION
4 LEVELS.

5 I DO THINK YOU CAN PUT AGRI-PULP INTO
6 MANY OTHER PAPER PRODUCTS BESIDES JUST NEWSPRINT.
7 I THINK THERE'S A VARIETY OF DIFFERENT GRADES THAT
8 YOU COULD PUT IT INTO.

9 MEMBER CHESBRO: TO FOCUS THAT QUESTION IN
10 A LITTLE BIT, DO YOU HAVE ANY SENSE ABOUT WHICH OF
11 THE OTHER PULP TYPES WOULD BE MOST LIKELY TO BE --
12 OR FIBER TYPES, I MEAN, WOULD BE MOST LIKELY TO BE
13 SUBSTITUTED BY THIS?

14 WOULD IT BE THE DE-INKED OR WOULD IT
15 BE THE VIRGIN COMPONENT?

16 MR. SIEBERS: FOR US IT WOULD BE ECONOMICS
17 DRIVEN.

18 MEMBER CHESBRO: IT COULD BE EITHER, YOU
19 SAY?

20 MR. SIEBERS: IF RECYCLED FIBER WERE MORE
21 EXPENSIVE THAN TMP MADE FROM CHIPS, WE WOULD
22 PROBABLY SUBSTITUTE THAT.

23 WE LOOKED AT IT FROM AN ECONOMIC
24 STANDPOINT MORE THAN A -- MORE THAN ANY OTHER
25 BASIS. WE'RE LOOKING FOR ALTERNATIVES TO WOOD

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1 BASED FIBERS TO CONTINUE TO MAKE OUR PRODUCTS.

2 MEMBER CHESBRO: I HAVE A FEW OTHER
3 QUESTIONS.

4 CHAIRMAN RELIS: GO AHEAD.

5 MEMBER CHESBRO: I'M NOT SURE IF MR. WONG
6 IS BETTER TO ANSWER THIS. I'LL LET YOU GUYS
7 DECIDE THAT

8 MR. SIEBERS: OKAY.

9 MEMBER CHESBRO: IN TERMS OF THE FIGURES
10 THAT WERE SHOWN ABOUT THE BENEFITS TO AGRICULTURE
11 AND THE GROWERS, WHAT PROPORTION OF THE RICE
12 STRAW

13 THAT'S PRODUCED IN THE VALLEY MIGHT BE USABLE BY
14 A

15 PROCESS LIKE THIS? HAVE YOU DONE ANYTHING TO
16 LOOK

17 AT THAT IN TERMS OF WHAT PORTION OF THE PROBLEM
18 OF

19 DISPOSING OF RICE STRAW COULD BE ADDRESSED BY
20 THIS?

21 MR. WONG: MAYBE I CAN ANSWER THIS
22 BECAUSE,

23 OF COURSE, SMURFIT NEWSPRINT MAKES NEWSPRINT, BUT
24 THIS PAPER IS ACTUALLY MADE WITH 50 PERCENT WASTE
25 PAPER AND 50 PERCENT AGRI-PULP.

26 THIS IS AN OFFICE PRINTING WRITING

22 PAPER. IN THIS CASE, WE CONVERT IT INTO
PHOTOCOPY

23 PAPER. SO THIS HAS BEEN DONE COMMERCIALY.

24 ACTUALLY, YOU CAN BUY IT IN CALIFORNIA, BY THE
25 WAY.

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1 SO OUT OF THE MILLION TONS OF STRAW,
2 FOR EXAMPLE, IF YOU MAKE THIS GRADE, YOU'RE
3 CONVERTING TWO TONS OF STRAW FOR A TON OF PAPER
4 PULP. SO IN OTHER WORDS, IF YOU HAVE A MILLION
5 TONS IN THE VALLEY, YOU HAVE 500,000 TONS OF PULP,
6 AND IF YOU REBLEND THAT INTO THIS TYPE OF
7 PHOTOCOPY PAPER, YOU MAKE ABOUT A MILLION TONS.

8 IN CALIFORNIA, WE USE OVER TEN
9 MILLION TONS OF PAPER PRODUCTS.

10 MEMBER CHESBRO: SO YOU'RE SAYING THAT IT
11 HAS THE POTENTIAL TO CONSUME THE ENTIRE --

12 MR. WONG: YEAH. THEORETICALLY YOU CAN
13 TAKE EVERYTHING OUT OF THERE PLUS ALL THE TREE
14 PRUNINGS AND ALL THESE OTHER COTTON LINT RESIDUES,
15 JUST ABOUT ANYTHING THAT'S AGRICULTURE CAN BE
16 CONVERTED INTO A PAPER MAKING PULP; COULD BE USED
17 FOR NEWSPRINT OR USED FOR OTHER PRODUCTS.

18 MEMBER CHESBRO: ARE THE ECONOMICS LIKELY
19 TO SUPPORT THE SITING OF FACILITIES IN CALIFORNIA
20 TO CONSUME THIS OR IS IT -- WOULD IT BE ECONOMICAL
21 TO VIEW THIS AS A CROP THAT THE FARMERS COULD BE
22 PAID FOR THE WAY YOU DESCRIBED IT AND SHIPPED TO
23 EXISTING MILLS?

24 MR. WONG: YEAH. THERE'S NO ECONOMY IN
25 SHIPPING STRAW ANYWHERE.

1 MEMBER CHESBRO: SO YOU'RE TALKING ABOUT
2 SITING THESE IN CALIFORNIA.

3 MR. WONG: YOU HAVE TO BUILD IT HERE. THIS
4 IS THE ONLY PLACE TO BUILD.

5 ONCE YOU CONVERT IT INTO PULP FIBER,
6 WHICH IS LIKE A THICK CARDBOARD, FAIRLY DRY, THEN
7 YOU CAN SHIP IT TO OREGON OR SHIP IT DOWN TO
8 POMONA.

9 MEMBER CHESBRO: THE PULPING PROCESS COULD
10 TAKE PLACE IN CALIFORNIA OR IN THE AREA WHERE THE
11 RICE STRAW IS PRODUCED --

12 MR. WONG: THAT'S RIGHT.

13 MEMBER CHESBRO: -- AND THEN THE PULP COULD
14 BE SHIPPED TO WHERE THE PAPER PRODUCT IS LOCATED.

15 MR. WONG: THAT WOULD BEING THE WAY TO GO.

16 MEMBER CHESBRO: WHAT ABOUT THE SEASONAL
17 NATURE OF THE RICE STRAW SUPPLY? DOES THAT MAKE
18 ANY DIFFERENCE? FOR EXAMPLE, OREGON THAT WAS
19 PRODUCING PAPER, WOULD THEY -- WOULD IT BE --
20 WOULD THEY STOCKPILE IT, OR WOULD THEY USE IT IN
21 THE TIME OF YEAR IT WAS AVAILABLE AND THEN SHIP
22 BACK TO A MIX THAT DIDN'T INCLUDE RICE STRAW
23 DURING THE PARTS OF THE YEAR WHEN IT WASN'T
24 AVAILABLE OR HOW WOULD THAT WORK?

25 MR. WONG: OKAY. MY RICE STRAW FARMER

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1 FRIENDS FROM COLUSA COUNTY SAID, "WE'RE READY TO
2 BUILD A STORAGE FOR THE RICE STRAW, 200, 300,000
3 TONS OF RICE STRAW IN A COVERED SHED AS LONG AS
4 YOU BUILD THAT AGRI-PULP MILL IN OUR COUNTY."

5 MEMBER CHESBRO: EXACTLY.

6 MR. WONG: WOW. WE CAN TALK. SO AS
FAR AS

7 STORAGE --

8 MEMBER CHESBRO: IT COULD BE STOCKPILED
AND

9 THEN -- AND THEN PULP GRADUALLY --

10 MR. WONG: CALL THEM OUT AS YOU
REQUIRE.

11 MEMBER CHESBRO: AND GRADUALLY --

12 MR. WONG: BECAUSE IT RAINS DOWN HERE,
SO

13 YOU REALLY NEED A COVERED STORAGE, OTHER THAN
14 TARPS OR FIXED STORAGE.

15 IN THE NORTH COUNTRY, IT'S DRY,
IT'S

16 ONLY SNOW. YOU CAN LEAVE IT OUT IN THE OPEN.

17 SO I THINK THE STORAGE PROBLEM
CAN BE

18 SOLVED, BUT WHAT MIKE MENTIONED IS VERY

IMPORTANT.

19 IT'S ABOUT THE MUD AND THE DIRT.

20 MEMBER CHESBRO: IS THAT A HARVESTING
21 PROBLEM?

22 MR. WONG: I DON'T WANT TO COMMENT ON
HOW

23 FARMERS SHOULD DO THEIR HARVESTING. I THINK
THEY

24 SHOULD BE A LITTLE BIT MORE CAREFUL WITH THE
25 STRAW.

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1 CHAIRMAN RELIS: SO WHAT HAPPENS NEXT?
2 YOU'VE RUN YOUR TRIAL. YOU'VE OBVIOUSLY BEEN
3 LOOKING AT THE CALIFORNIA MARKETPLACE. YOU'RE
4 SMURFIT AGRI-PULP.

5 DID I GET THIS --

6 MR. WONG: THAT'S OUR NEW NAME.

7 CHAIRMAN RELIS: WHAT INTEREST -- DO YOU
8 HAVE SOMETHING THAT YOU WANT OF THE BOARD IN THIS
9 CASE? OR AT THIS POINT IS THIS STRICTLY TO JUST
10 LET US KNOW THAT THIS IS IN PROGRESS? YOU'RE
11 INTERESTED IN LOAN MONEY, THAT SORT OF THING?

12 MR. SIEBERS: I'LL JUST GIVE YOU A
13 PERSPECTIVE FROM SMURFIT NEWSPRINT.

14 WE'RE TRYING TO UNDERSTAND THE
15 ECONOMICS OF THE PROCESS. I THINK IT'S IMPORTANT
16 FOR US TO UNDERSTAND THAT, AND WE ALSO WANT TO
17 UNDERSTAND MORE ABOUT THE CHARACTERISTICS OF THE
18 INDIVIDUAL STRAW PULPS THAT WE COULD POTENTIALLY
19 PUT INTO NEWSPRINT, LOOKING AT RICE SPECIFICALLY
20 BY ITSELF, RYE SPECIFICALLY BY ITSELF AND MAYBE
21 THE FESCUE, AND THERE MIGHT BE OTHER STRAWS OUT
22 THERE THAT WOULD BE WORTH A LOOK.

23 FROM OUR PERSPECTIVE, THAT'S WHAT --
24 THAT'S WHAT WE'RE TRYING TO DO NEXT IS WE'RE
25 TRYING TO UNDERSTAND THE ECONOMICS OF THIS
PROCESS

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1 SO THAT WE CAN DETERMINE WHETHER THERE IS
2 VIABILITY, YOU KNOW, ON -- ON SOME KIND OF BASIS
3 THAT DOESN'T HINDER US TOO MUCH FINANCIALLY TO GO
4 AHEAD AND PURSUE THIS FURTHER.

5 MORE TRIALS, I THINK, IS WHAT WE'RE
6 TALKING ABOUT. MAYBE AL HAS SOME COMMENTS, ALSO.

7 MR. WONG: OKAY. WE CAN ALWAYS USE MONEY,
8 SO THAT'S THE FIRST STEP.

9 YES. WE'RE INTERESTED IN RICE STRAW
10 IN PARTICULAR BECAUSE FROM OUR PERSPECTIVE,
11 CALIFORNIA IS THE MARKET. THERE ARE MORE PEOPLE
12 IN CALIFORNIA THAN ALL OF CANADA, SO -- AND
13 THEY'RE WEALTHIER THAN CANADIANS.

14 THIS IS THE PLACE TO DO BUSINESS FOR
15 US. AND WE THINK THAT BEYOND NEWSPRINT, WE COULD
16 CREATE THIS TYPE OF PAPER FOR THIS LOCAL MARKET
17 USING LOCAL RESOURCES, AND THAT TO ME IS A LOT OF
18 ATTRACTION. AND WE WOULD CERTAINLY BE LOOKING AT
19 PLANS TO CONTINUE ONWARD TO PIN DOWN THE
20 ECONOMICS, BOTH FOR OUR POTENTIAL PARTNERS,
21 SMURFIT NEWSPRINT, AS WELL AS FOR OURSELVES IN
22 OTHER PURSUITS.

23 MEMBER CHESBRO: TO TRY TO PIN DOWN THE --
24 FOR YOU THE BOARD'S INTEREST, AT LEAST FROM ONE OF
25 OUR MEMBER'S PERSPECTIVES, FIRST OF ALL, I THINK

1 IN TERMS OF THE GENERAL PUBLIC AND BEING A
2 RESIDENT OF SACRAMENTO, THE -- THE ADDRESSING OF
3 THE CROP PROBLEM, I THINK, IS A TERRIFIC AND
4 IMPORTANT STEP.

5 UNFORTUNATELY, IT'S NOT -- BECAUSE IT
6 HASN'T HAD EXPOSURE TO LANDFILLS, OFFICIALLY UNDER
7 OUR PURVIEW, AND -- BUT I THINK THAT THE THINGS
8 THAT WE ARE INTERESTED IN IS CONTINUING TO MAXI-
9 MIZE THE AMOUNT OF DIVERSION OF MATERIALS THAT
10 HAVE GONE TRADITIONALLY TO LANDFILLS IN
11 COMBINATION WITH THIS, SO WE CAN GET A -- A
12 MAXIMUM BENEFIT ALL AROUND, AND WHILE -- WHILE
13 PURSUING THE IMPORTANT GOAL OF THE RICE STRAW
14 REUSE, RECYCLING, AND ALSO TRYING TO USE THESE
15 KINDS OF RESOURCES TO ATTRACT ECONOMIC ACTIVITY
16 LIKE THE PEOPLE IN COLUSA COUNTY WANTED TO TRY
17 TO -- TO GET AS MUCH OF THE VALUE-ADDED ACTIVITY
18 GOING ON, ESPECIALLY IN DEPRESSED RURAL
19 COMMUNITIES WHERE SOME OF THESE RESOURCES EXIST.

20 I THINK, YOU KNOW, WE HAVE SORT OF A
21 DUAL ROLE OF DIVERTING THE WASTESTREAM AND TRYING
22 TO -- TO DEVELOP VALUE-ADDED BUSINESS ACTIVITY FOR
23 CALIFORNIA TO HELP UTILIZE THESE RESOURCES TO
24 BENEFIT THE ECONOMY AS WELL.

25 MR. WONG: I APPRECIATE YOUR COMMENTS

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1 BECAUSE ONE OF THE THINGS THAT WE'RE VERY ADAMANT
2 ABOUT IS THAT THE PAPER WE CREATE, EITHER
3 NEWSPRINT TOGETHER WITH SMURFIT OR THE PHOTOCOPY
4 PAPER, WE SPECIFY THAT IT MUST CONTAIN POST-
5 CONSUMER WASTE PAPER, AND NOT LESS THAN 50
6 PERCENT.

7 MEMBER CHESBRO: AND OBVIOUSLY PAPER BEING
8 MADE OUT OF RICE STRAW IN OREGON IS BETTER THAN
9 BURNING IT IN THE FIELDS, SO I'M NOT TRYING TO SAY
10 THAT, YOU KNOW, THERE'S ONLY ONE WAY, BUT I DO
11 THINK WE HAVE PRIORITIES IN OUR PROGRAM THAT WE
12 WILL TRY TO MAXIMIZE WITH YOU --

13 MR. WONG: SURE.

14 MEMBER CHESBRO: -- IF THAT'S THE
15 ORIENTATION.

16 MR. WONG: WE APPRECIATE YOUR INTEREST IN
17 THIS MATTER BECAUSE IT IS NOT SOMETHING THAT WE
18 HAVE NOTHING TO DO WITH WASTE PAPER. WASTE PAPER
19 IS AN IMPORTANT COMPONENT.

20 AS MIKE SAID, IT'S NOT LIKELY THAT
21 IT'S GOING TO BE TECHNICALLY POSSIBLE OR EVEN
22 ECONOMICALLY POSSIBLE TO CREATE A HUNDRED PERCENT
23 AGRI-PULP PAPER. IT'S GOING TO BE IN SOME
24 COMBINATION OF OTHER FIBERS, AND THE FIBER OF
25 CHOICE FOR US WILL BE WASTE PAPER.

1 MEMBER CHESBRO: IN THE FORESTS THAT EXIST
2 IN CALIFORNIA, THEY'RE READILY -- IN CALIFORNIA,
3 AS YOU POINTED OUT, ARE THE URBAN FORESTS.
4 THEY'RE IN THE FORESTS, ON THE CURBSIDES, AND USED
5 TO GO INTO THEIR WASTEBASKET.

6 MR. WONG: I'M A GREAT BELIEVER IN WASTE
7 PAPER.

8 CHAIRMAN RELIS: THE OTHER POINT, IF YOU
9 ARRIVE AT THE POINT THAT YOU'RE LOOKING AT
10 FINANCIAL ASSISTANCE, AT LEAST FROM THE BOARD, I
11 THINK THE BALANCE STUDY BECOMES IMPORTANT BECAUSE
12 WE NEED TO BE ASSURED THAT IF WE WERE TO INVEST IN
13 THIS, THERE WOULD BE A NET GAIN TO THE STATE IN
14 OUR MARKET DEVELOPMENT EFFORT.

15 WE KNOW WHAT IT WOULD DO FOR RICE
16 STRAW. WHAT WOULD IT DO FOR THE SECONDARY PAPER
17 MARKET? THAT WOULD BE OUR FOCUS.

18 ANY OTHER QUESTIONS OR COMMENTS?

19 MEMBER PENNINGTON: I THINK THIS IS VERY
20 INTERESTING.

21 CHAIRMAN RELIS: THANK YOU.

22 MR. WONG: IF I COULD MAKE ONE MORE COMMENT
23 ABOUT THE AGRI-PULP ITSELF, IS THAT AGRI-PULP
24 RIGHT NOW, AS PICTURED BY SMURFIT, COULD BE

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25 SUBSTITUTED FOR WASTE PAPER IS A -- AS PICTURED BY

1 SMURFIT COULD BE SUBSTITUTED FOR WASTE PAPER,
2 COULD BE SUBSTITUTED FOR WOOD -- VIRGIN WOOD BASED
3 PAPER. BUT ONE OTHER FACTOR THAT WE HAVE NOT
4 DISCUSSED IN THIS PRESENTATION IS THAT IN SOME
5 CASES, FOR SOME TYPE OF AGRI-PULP FIBER, IT COULD
6 ENHANCE THE USE OF WASTE PAPER. SIMPLY IT GIVES
7 SOME UNUSUAL PROPERTIES TO IT. SO THAT ITSELF
8 HELPS THE CAUSE OF THE WASTE PAPER UTILIZATION.

9 FOR EXAMPLE, FESCUE IN THIS CASE IS
10 NOT GROWING IN CALIFORNIA TODAY, BUT IT IS --
11 ACTUALLY GIVES YOU SOME UNUSUAL PROPERTIES THAT
12 COULD IMPROVE YOUR PHOTOCOPY PAPER, FOR EXAMPLE,
13 THEN ALLOWS YOU TO USE MORE WASTE PAPER.

14 THANK YOU.

15 CHAIRMAN RELIS: WELL, THANKS FOR TAKING
16 THE TIME TO MAKE THIS PRESENTATION. I THINK WE
17 ALL BENEFITED GREATLY.

18 I KNOW YOU'LL BE MEETING WITH STAFF
19 AFTERWARDS AND PURSUING MORE SPECIFICS ON THIS,
20 SO --

21 MS. TRGOVCICH: I'D ALSO LIKE TO POINT OUT,
22 AS WELL, THAT THE AIR RESOURCES BOARD IS EXTREMELY
23 INTERESTED IN THIS CONCEPT AS WELL AS OTHER
24 CONCEPTS TO PROMOTE THE INCORPORATION OF RICE
25 STRAW INTO BUILDING AND CONSTRUCTION
MATERIALS.

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1 AND RIGHT NOW THEY'RE PURSUING SOME PROPOSALS,
2 WHICH I KNOW THEY'RE LOOKING FOR OUR INPUT ON,
3 RELATING TO SOME LEGISLATIVE CHANGES THAT WOULD

AT

4 LEAST PAVE THE WAY OR NOT SERVE AS A BARRIER TO
5 THE INCORPORATION OF RICE STRAW, BOTH IN TERMS OF
6 PAPER PRODUCTS AS WELL AS IN THE AREA OF BUILDING
7 AND CONSTRUCTION MATERIALS AS WELL. AND THEY'RE
8 LOOKING AT POTENTIAL CHANGES WHICH MAY IMPACT THE
9 PUBLIC CONTRACTS CODE, THE HEALTH AND SAFETY

CODE,

10 POTENTIALLY OUR CODE AS WELL, SO WE'LL BE WORKING
11 WITH THEM IN THAT REGARD AS WELL.

12 CHAIRMAN RELIS: I NOTICED THAT COMMENTS
BY

13 UNDERSECRETARY ROONEY, CAL-EPA, AND -- AND JOHN
14 DUNLAP OF THE AIR BOARD ON THIS MATTER, THERE
15 SEEMS TO BE A KEEN INTEREST STATEWIDE, THE
16 REGULATORY COMMUNITY.

17 THANK YOU VERY MUCH.

18 OKAY. THAT BRINGS US TO
19 CONSIDERATION OF APPROVAL OF THE RECYCLING MARKET
20 DEVELOPMENT ZONE LOAN APPLICATION FOR THE WINTER
21 QUARTER.

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22 IF ANYONE WANTS TO SPEAK, I'LL

REMIND

23 YOU THAT IN THE BACK OF THE ROOM IS A SPEAKER

24 SLIP. PLEASE BRING IT FORWARD BEFORE YOU COME

AND

25 SPEAK.

1 MS. TRGOVCICH: MR. CHAIRMAN, I'D JUST
LIKE

2 TO IDENTIFY FOR YOU THE TWO LOANS THAT ARE ON
YOUR

3 AGENDA TODAY ARE CONSIDERATION OF THE LOAN FOR
4 PACIFIC STEEL CASTING COMPANY AND LOS ANGELES
5 PAPER BOX AND BOARD MILLS.

6 AS BOB CAPUTI IS GOING TO STATE FOR
7 YOU, THESE TWO LOANS MOVED FORWARD THROUGH THE
8 LOAN COMMITTEE THAT MET RECENTLY AND HAVE
9 FORWARDED YOU RECOMMENDATIONS ON THESE TWO
ISSUES.

10 BOB.

11 MR. CAPUTI: I'M BOB CAPUTI, MANAGER OF
THE

12 LOAN PROGRAM.

13 THE TWO LOANS THAT WE HAVE BEFORE US
14 TODAY ARE PACIFIC STEEL CASTING COMPANY, A
15 CALIFORNIA CORPORATION. PACIFIC STEEL CASTING
HAS

16 REQUESTED LOAN FUNDS FOR THE PURCHASE OF A
CASTING

17 SAND RECLAMATION SYSTEM.

18 THIS SYSTEM WILL ENABLE THE COMPANY
19 TO REUSE 100 PERCENT OF THE 8,000 ANNUAL TONS OF
20 CASTING SAND WHICH CURRENTLY IS DEPOSITED IN THE

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21 RICHMOND LANDFILL.
22 PACIFIC STEEL CASTING IS THE ONLY
23 FOUNDRY IN CALIFORNIA THAT WILL EMPLOY THIS
24 SYSTEM. FIVE SYSTEMS HAVE BEEN PURCHASED BY U.S.
25 BASED CORPORATIONS. FIFTY-FIVE OF THE SYSTEMS

1 HAVE BEEN SOLD WORLDWIDE.

2 WITH THIS LOAN, WE WILL BRING INTO
3 CALIFORNIA A NEW REUSE TECHNOLOGY.

4 THE ZONE AFFECTED BY THE LOAN WOULD
5 BE THE OAKLAND/BERKELEY RMDZ. THE AMOUNT OF LOAN
6 REQUESTED IS \$684,950 OF A TOTAL PROJECT COST OF
7 1,330,000.

8 USE OF THE FUNDS WILL BE FOR THE
9 PURCHASE OF THE EQUIPMENT. THE PRODUCT WILL
10 ACCOUNT FOR DIVERSION OF 8,000 TONS ANNUALLY AND
11 CREATE FOUR JOBS.

12 THE SECOND LOAN IS LOS ANGELES PAPER
13 BOX AND BOARD MILLS. THE COMPANY CURRENTLY HAS
14 FOUR DIVISIONS. THIS PROJECT INVOLVES ADDING
15 CONTINUOUS PULPER SCREENS TO THE MILL DIVISION TO
16 INCREASE USE OF MIXED PAPER IN THE MANUFACTURE OF
17 BOX BOARD.

18 THE AFFECTED ZONE IS THE LOS ANGELES
19 COUNTY RMDZ. THE LOAN AMOUNT REQUESTED IS 750,000
20 OF A TOTAL PROJECT COST OF \$1,534,980.

21 THE USE OF FUNDS IS MORE EQUIPMENT
22 AND RELATED ENGINEERING FEES. THE PROJECT WILL
23 ACCOUNT FOR DIVERSION OF 5,000 TONS ANNUALLY AND
24 THE CREATION OF FIVE JOBS.

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25

ARE THERE ANY QUESTIONS?

50

1 CHAIRMAN RELIS: I KNOW WE HAVE CHRISTIE
2 BEEMAN REPRESENTING THE OAKLAND/BERKELEY RMDZ, AND
3 YOU'VE REQUESTED TO SPEAK, SO MAYBE WE'LL ASK YOU
4 TO COME FORWARD AND TELL US WHAT'S UP.

5 MS. BEEMAN: I'M CHRISTIE BEEMAN, THE ZONE
6 COORDINATOR FOR THE OAKLAND/BERKELEY RMDZ, AND I
7 JUST WANTED TO SAY A COUPLE WORDS ABOUT THE
8 IMPORTANCE OF THIS PROJECT TO OUR ZONE.

9 FOUNDRY SAND DISPOSAL IS A VERY
10 SIGNIFICANT ISSUE IN BOTH OAKLAND AND BERKELEY.
11 THE 8,000 TONS THAT THIS PROJECT WOULD DIVERT
12 REPRESENTS ABOUT 6 PERCENT OF BERKELEY'S TOTAL
13 DISPOSAL, AND THIS IS ONE OF TWO SIGNIFICANT
14 FOUNDRIES IN BERKELEY. SO WE ARE LOOKING AT THIS
15 AS A SORT OF FIRST STEP IN ADDRESSING A REALLY
16 MAJOR DISPOSAL ISSUE FOR OUR AREA AND KIND OF A
17 DEMONSTRATION FOR THE OTHER FOUNDRIES OPERATING IN
18 OAKLAND AND BERKELEY THAT THIS -- THIS REUSE
19 TECHNOLOGY IS A VIABLE OPTION.

20 PACIFIC STEEL HAS TAKEN A LOT OF
21 INITIATIVE IN INVESTIGATING THIS TECHNOLOGY AND
22 MAKING THE BUSINESS DECISION THAT -- THAT THIS
23 MAKES SENSE FOR THEM, AND I'M VERY HOPEFUL THAT WE
24 CAN SUPPORT THEM IN SUPPORTING OUR DIVERSION
25 EFFORTS BY APPROVING THIS LOW INTEREST LOAN TO

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1 THEM.

2 SO JUST WOULD LIKE TO URGE YOUR
3 SUPPORT AND THANK YOU.

4 CHAIRMAN RELIS: COMMENTS?

5 MEMBER CHESBRO: THAT'S A SIGNIFICANT
6 AMOUNT OF DIVERSION FOR THE COMMUNITY.

7 MEMBER PENNINGTON: I WILL SAY, MR.
8 CHAIRMAN, THAT THEY POINTED THIS OUT TO US. I WAS
9 CONCERNED ABOUT THIS LOAN. IT ONLY RANKED 50
10 POINTS OF A HUNDRED POINTS.

11 I THOUGHT IT WAS PRETTY LOW AND I
12 FELT LIKE, YOU KNOW, WE'RE REALLY NOT GETTING A
13 LOT OF BENEFIT FROM IT, BUT IF IT'S 6 PERCENT OF
14 DIVERSION OF -- OF THE AREA, THEN I THINK THAT
15 MAKES A SIGNIFICANT DIFFERENCE IN THE WAY I THINK,
16 AND SO, THEREFORE, I'LL MOVE TO APPROVE THE LOAN.

17 CHAIRMAN RELIS: WE HAVE A MOTION TO
18 APPROVE THAT, AND I ASSUME THE OTHER --

19 MEMBER PENNINGTON: SURE. IF YOU WANT TO
20 DO THEM BOTH TOGETHER, SURE.

21 MEMBER CHESBRO: I'LL SECOND IT. I DO HAVE
22 AN ADDITIONAL COMMENT.

23 CHAIRMAN RELIS: YES. MR. CHESBRO.

24 MEMBER CHESBRO: I THINK ONE OF THE REASONS
25 WHY IT GOT THE LOW RATING THAT IT DID IS BECAUSE

1 WE HAVEN'T COMPLETELY GOTTEN TO THE POINT WHERE WE
2 HAVE FIGURED OUT HOW REUSE AND ESSENTIALLY WASTE
3 PREVENTION WORKS IN THIS PROCESS.

4 WE DID MAKE A DECISION -- EVEN THOUGH
5 THE LOAN PROGRAM ORIGINALLY LEGISLATIVELY WAS
6 FOCUSED ON CREATING NEW CAPACITY FOR RECYCLED
7 MATERIALS AS OPPOSED TO REUSE, WE DID MAKE THE
8 SHIFT SEVERAL YEARS AGO TO MAKE SURE THE REUSE
9 BUSINESSES WERE AVAILABLE.

10 WE HAVE FUNDED SEVERAL. THE ONE THAT
11 COMES TO MIND IS ALSO IN THE BERKELEY/OAKLAND
12 ZONE. IT'S THE AMIGO BAG COMPANY THAT
13 RECONDITIONED THOSE LARGE INDUSTRIAL SHIPPING
14 BAGS, AND I THINK THERE'S BEEN A COUPLE OTHERS
15 THAT WERE REUSE ORIENTED.

16 BUT THE HIERARCHY, I DO THINK, NEEDS
17 TO BE CONSIDERED, AND I HOPE THAT IN THE WORKSHOPS
18 AND IN UPCOMING REVIEW OF -- OF OUR PROCESSES, WE
19 WILL TRY TO MAKE SURE THAT REUSE GETS ITS
20 APPROPRIATE PLACE ALONG WITH CAPACITY FOR
21 PROCESSING RECYCLED MATERIALS WHICH IS GIVEN A
22 VERY HIGH PRIORITY, BUT THIS SCORED LOW ON THAT,
23 VERY LOW BECAUSE IT DIDN'T REALLY FIT THE -- THE
24 CRITERIA THAT WE HAD.

25 SO I THINK IT'S AN EXCELLENT LOAN
AND

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1 IT -- IT IS ONE MORE THING WE CAN POINT TO THAT'S
2 BEEN A STRUGGLE TO BE ABLE TO ACCOMPLISH THESE
3 THINGS, BUT WHAT WE CAN POINT TO THAT DOES HAVE
4 THE PROGRAM REFLECT THE ADOPTED HIERARCHY OF AB
5 939 AT ITS PREVENTION AT THE TOP.

6 MR. CAPUTI: WE WILL BE ADDING THAT TO THE
7 AGENDA OF THE PRIORITIZATION WORKSHOP.

8 CHAIRMAN RELIS: I DON'T BELIEVE YOU HAD
9 QUITE FINISHED YOUR PRESENTATION, SO WE HAVE A
10 MOTION, BUT GO AHEAD IF YOU HAVE IT --

11 MR. CAPUTI: NO.

12 CHAIRMAN RELIS: YOU'RE DONE.

13 OKAY. SO WE HAVE A MOTION AND A
14 SECOND TO APPROVE THE LOANS. WE'LL CALL THE ROLL.

15 THE SECRETARY: MEMBER CHESBRO?

16 MEMBER CHESBRO: AYE.

17 THE SECRETARY: MEMBER PENNINGTON?

18 MEMBER PENNINGTON: AYE.

19 THE SECRETARY: CHAIRMAN RELIS.

20 CHAIRMAN RELIS: AYE. AND CONSENT?

21 MEMBER CHESBRO: SURE.

22 MS. TRGOVCICH: MR. CHAIRMAN, MAYBE JUST A
23 FOLLOW-UP ON BOARD MEMBER CHESBRO'S COMMENT IN
24 TERMS OF THE WORKSHOP.

25 THERE ARE -- IN A SENSE THERE ARE TWO

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1 ITEMS MOVING FORWARD HERE. WE SCHEDULED A LOAN
2 WORKSHOP FOR FEBRUARY 5TH WHERE WE'RE GOING TO BE
3 LOOKING AT LOAN PROGRAM ISSUES RELATED TO
4 CREDIT/COLLATERAL-TYPE OF ISSUES, THE UNDERWRITING
5 PROCESS, AS WELL AS THE OVERALL, YOU KNOW,
6 OBJECTIVES OF THE PROGRAM AS IT -- IT RELATES TO
7 DO WE FUND START-UP BUSINESSES, HOW DOES CALCAP
8 FIT IN, ETC.

9 THERE'S ANOTHER ELEMENT THAT WE BRING
10 FORWARD ON AN ANNUAL BASIS AND THAT'S THE
11 PRIORITIZATION. AND ONE THING THAT WE'D LIKE TO
12 WORK WITH YOUR OFFICES ON IN THE COMING WEEKS, AS
13 WE FINALIZE THE AGENDA FOR THE WORKSHOP, IS DOES
14 THE PRIORITIZATION FIT IN WITH THE WORKSHOP OR IS
15 THAT A SEPARATE DISCUSSION THAT THEN FOLLOWS ON
16 THE WORKSHOP, USES THE WORKSHOP INPUT AS A DRIVING
17 POINT OR BASIS FOR THE PRIORITIZATION DISCUSSIONS.

18 SO WE'LL BE WORKING WITH YOUR OFFICES
19 IN THE COMING WEEKS TO SEE HOW THAT SPLITS OUT,
20 WHETHER IT'S MOVED FORWARD JOINTLY OR SEPARATELY.

21 MEMBER CHESBRO: I WASN'T TRYING TO
22 PREJUDGE WHETHER THAT WAS A WORKSHOP TOPIC. I WAS
23 MOSTLY ACTUALLY REFERRING TO THE ANNUAL REVIEW OF
24 THE PROCESS AND THE PRIORITIES AND NOT -- THAT
25 JUST POPPED OUT OF MY MOUTH WHEN I SAID WORKSHOP.

1 MS. TRGOVCICH: IT'S A VERY GOOD COMMENT
2 BECAUSE THESE TWO ARE SOMEWHAT TIED TOGETHER SINCE
3 WE NORMALLY COME FORWARD WITH THE ANNUAL
4 PRIORITIES IN THE FEBRUARY/MARCH TIME FRAME TO
5 ASSURE ADOPTION BY THE END OF MARCH.

6 WE ARE SEEING THESE TWO ITEMS COME
7 TOGETHER, SO WE'RE GOING TO NEED TO WORK OUT A
8 PROCESS ON HOW -- HOW THEY FOLLOW.

9 CHAIRMAN RELIS: DID MS. BEEMAN LEAVE? OH,
10 I DIDN'T SEE YOU.

11 YOU MENTIONED THAT -- BEFORE WE LEAVE
12 THIS SUBJECT, THAT THERE ARE OTHER FOUNDRIES IN --
13 SO DO YOU SEE THIS POSSIBLY OPENING UP A WAY TO
14 GET FURTHER DIVERSION? COULD YOU COMMENT ON THAT?

15 MS. BEEMAN: YEAH. ACTUALLY I'VE ALREADY
16 MET WITH ANOTHER -- AND CHUCK HABRECHT AND I MET
17 WITH ANOTHER FOUNDRY IN BERKELEY ALREADY THIS
18 WEEK.

19 THEY -- THE PEOPLE IN THE SAME
20 INDUSTRY ALL TALK TO EACH OTHER, SO AS SOON AS
21 PACIFIC STEEL MOVED FORWARD WITH THEIR PRODUCT --

22 CHAIRMAN RELIS: YOU DON'T THINK OF
23 BERKELEY BEING SUCH A STEEL MAGNATE.

24 MS. BEEMAN: THEY TRY AND KEEP IT QUIET.

25 SO WE ACTUALLY, JUST AS AN ASIDE, ARE

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1 LOOKING AT THE BROADER ISSUE OF THE FOUNDER
2 DISPOSAL FOR SMALLER FOUNDRIES. THIS TYPE OF
3 EQUIPMENT DOESN'T MAKE SENSE, THE CAPITAL
4 INVESTMENT, THE NUMBERS DON'T WORK OUT FOR SMALLER
5 FOUNDRIES, SO WE'RE ALSO LOOKING AT OTHER
6 ALTERNATIVE USES IN CONSTRUCTION AND PAVING AND
7 OTHER ALTERNATIVE USES FOR THEIR SAND THAT WOULD
8 BE DIVERSION AS WELL.

9 SO IT'S A -- IT'S A BIGGER PROJECT
10 FOR US THAN JUST THE ONE AREA.

11 MEMBER CHESBRO: I KNOW THAT IN THE CASE OF
12 THIS PARTICULAR LOAN, WE NEEDED TO A MAKE A
13 FINDING THAT IT HAD BEEN NORMALLY DISPOSED OF IN
14 LANDFILL.

15 IS THAT TRUE OF THE -- IN GENERAL OF
16 THESE FOUNDRIES? IS THAT THE PRIMARY -- IS THAT
17 WHERE IT'S ALL GOING --

18 MS. BEEMAN: YEAH.

19 MEMBER CHESBRO: -- TO THE LANDFILL?

20 MS. BEEMAN: YEAH.

21 THERE ARE A COUPLE OF FOUNDRIES WHO
22 HAVE OFF AND ON WORKED WITH SOME OF THE PAVING
23 CONTRACTORS TO TRY AND GET THIS MATERIAL USED, BUT
24 IT'S DEFINITELY MORE THE EXCEPTION THAN THE RULE.

25 MEMBER CHESBRO: MOST OF IT'S GONE TO THE

1 LANDFULL.

2 MS. BEEMAN: THE VAST MAJORITY IS THE
3 LANDFILL.

4 ALSO, THERE IS MANY FOUNDRIES WHO USE
5 SOME PERCENTAGE OF THEIR SAND IN OUR PROCESS USING
6 A LOWER TECH RECLAMATION EQUIPMENT, BUT TO GET TO
7 THE HIGH USE NUMBERS, THE 100-PERCENT REUSE, THIS
8 KIND OF THERMAL RECLAMATION IS REQUIRED.

9 CHAIRMAN RELIS: THANK YOU VERY MUCH.

10 SO, MR. CAPUTI, DO YOU -- ARE YOU
11 WAITING FOR THE NEXT ITEM?

12 MR. CAPUTI: SURE AM. THESE ARE HARD ACTS
13 TO FOLLOW.

14 CHAIRMAN RELIS: THEN WE'RE ON TO THE LOAN
15 COMMITTEE APPOINTMENT.

16 MS. TRGOVCICH: MAYBE, MR. CHAIRMAN, JUST
17 TO PROVIDE A BACKDROP FOR THIS, AS YOU REMEMBER,
18 THE COMMITTEE AND BOARD FORMALIZED AN INFORMAL
19 PROCESS TO SOLICIT INPUT. AND PART OF THE
20 RECOMMENDATIONS THAT BOB'S GOING TO PROVIDE TO YOU
21 NOW ON FILLING THE VACANCIES ON THE LOAN COMMITTEE
22 FOLLOW THAT PROCESS, AND I'D LIKE TO SAY AT THIS
23 TIME WE WENT WITH A VERY BROAD SOLICITATION FOR
24 POTENTIAL NEW MEMBERS.

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25

WE SOLICITED OUR LOAN COMMITTEE

58

1 MEMBERS; WE SOLICITED YOUR OFFICES, AS WELL AS THE
2 ZONE ADMINISTRATORS IN BRINGING THESE CANDIDATES
3 FORWARD TO YOU.

4 MR. CAPUTI: AND THAT LENGTHY PROCESS
5 BROUGHT FORTH THREE FINE CANDIDATES. FOR THE
6 PUBLIC SECTOR SOUTH, WE HAVE LUPE VELA, WHO IS THE
7 MANAGER OF THE SOLID WASTE MANAGEMENT OFFICE OF
8 THE CITY OF LOS ANGELES.

9 LUPE IS THE ONLY INCUMBENT AMONG
10 THESE CANDIDATES THAT IS SEEKING REAPPOINTMENT,
11 AND SHE'S SERVED FOR, I BELIEVE, TWO YEARS AND
12 VERY WELL ON OUR LOAN COMMITTEE.

13 THE PRIVATE SECTOR CANDIDATE IS
14 DONALD FRASER. MR. FRASER IS THE EXECUTIVE
15 VICE-PRESIDENT OF FARMERS AND MERCHANTS BANK
16 LOCATED IN LODI. MR. FRASER, IF APPOINTED, WILL
17 BE THE FIRST REPRESENTATIVE FROM THE CENTRAL
18 VALLEY REGION.

19 THE URBAN CANDIDATE IS MICHAEL
20 MCCRAW. MR. MCCRAW IS THE PRESIDENT AND CHIEF
21 EXECUTIVE OFFICER OF THE CALIFORNIA SMALL BUSINESS
22 DEVELOPMENT CORPORATION LOCATED IN SAN DIEGO.

23 EACH OF THESE CANDIDATES ARE WELL
24 QUALIFIED AND WILL MAKE EXCELLENT LOAN COMMITTEE
25 MEMBERS IF APPOINTED.

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1 CHAIRMAN RELIS: WELL, I APPRECIATE YOUR
2 GIVING US THE CHANCE WITH THE RESUME. I KNOW YOU
3 SENT THOSE TO ME.

4 I HAVE NOT HAD A CHANCE TO TALK TO
5 THE INDIVIDUALS SPECIFICALLY, BUT THE -- THEY LOOK
6 EMINENTLY QUALIFIED FOR THE LOAN COMMITTEE.

7 SO I'M CERTAINLY REASSURED THAT
8 THE --

9 MEMBER PENNINGTON: MR. CHAIRMAN, I WOULD
10 MOVE THAT THESE NOMINATIONS BE ACCEPTED.

11 MEMBER CHESBRO: SECOND.

12 CHAIRMAN RELIS: IT'S BEEN MOVED AND
13 SECONDED. WE'LL CALL THE ROLL.

14 THE SECRETARY: MEMBER CHESBRO.

15 MEMBER CHESBRO: AYE.

16 THE SECRETARY: MEMBER PENNINGTON?

17 MEMBER PENNINGTON: AYE.

18 THE SECRETARY: CHAIRMAN RELIS?

19 CHAIRMAN RELIS: AYE. CONSENT?

20 MEMBER PENNINGTON: SURE.

21 CHAIRMAN RELIS: THANK YOU VERY MUCH.

22 MOVING ON TO ITEM 5, THE APPROVAL
23 TO

24 INITIATE THE FORMAL RULEMAKING PROCESS FOR
 REVISIONS TO THE RECYCLING MARKET DEVELOPMENT
 ZONE

25 PROGRAM, LOAN PROGRAM REGULATIONS.

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1 MS. TRGOVCICH: MR. CHAIRMAN, THIS ITEM
2 FOLLOWS ALONG DISCUSSIONS THAT WE HAD AT PRIOR
3 COMMITTEE MEETINGS.

4 PART OF WHAT YOU'RE SEEING IN THESE
5 DRAFT REGULATIONS THAT WE'RE SEEKING YOUR APPROVAL
6 ON IS THE INCORPORATION OF COMMENTS AND DIRECTION
7 PROVIDED TO STAFF AT A COMMITTEE MEETING SEVERAL
8 MONTHS AGO WHERE WE DISCUSSED CONCEPTS AROUND
9 CONTINUOUS APPLICATION, LOAN COMMITTEE
10 COMPOSITION, ETC. AND BOB'S GOING TO BE
11 DESCRIBING THOSE CHANGES THAT WE'RE PROPOSING IN
12 THIS PACKAGE FOR YOU.

13 JUST TO OUTLINE THE PROCESS THAT
14 WE'RE IN RIGHT NOW, THIS IS A DRAFT PACKAGE.
15 WE'VE GONE THROUGH BOTH -- THROUGH AN INFORMAL
16 PERIOD, WHICH WILL BE DESCRIBED FOR YOU AS WELL
17 IN
18 TERMS OF COMMENTS ON THE REGULATIONS, THE DRAFT
19 REGULATIONS.

20 WITH COMMITTEE'S APPROVAL, WHAT THAT
21 WILL DO IS INITIATE THE FORMAL OAL RULEMAKING
22 PROCESS, WHICH WILL BEGIN A 45-DAY PUBLIC COMMENT
23 PERIOD, AND WE WILL THEN BE RETURNING TO THE
24 COMMITTEE AT THE CONCLUSION OF THAT PUBLIC
COMMENT

24 PERIOD FOR COMMITTEE ADOPTION OR PROPOSED CHANGES

25 THAT WOULD THEN RESULT IN SUBSEQUENT 15-DAY

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1 COMMENT PERIODS.

2 SO WHAT WE'RE GOING TO BE DESCRIBING
3 FOR YOU IS THE INITIATION OF THAT PROCESS RIGHT
4 NOW.

5 BOB?

6 MR. CAPUTI: THE REGULATION REVISIONS IN
7 SUMMARY ARE AS FOLLOWS: WE'RE AMENDING A --
8 REFERENCES TO THE LOAN COMMITTEE TO INCREASE THE
9 NUMBER OF MEMBERS TO 12 FROM THE CURRENT SEVEN,
10 MAINTAINING A QUORUM OF FOUR MEMBERS, AND
11 EXTENDING THE APPOINTED TERMS TO THREE YEARS FROM
12 TWO YEARS.

13 THESE CHANGES WERE MADE TO ENSURE A
14 QUORUM FOR LOAN COMMITTEE MEETINGS AND TO
15 ACCOMMODATE ADOPTION OF A CONTINUOUS APPLICATION
16 PROCESS WITH MONTHLY MEETINGS AS NEEDED.

17 CHAIRMAN RELIS: LET'S -- LET'S UNDERSCORE
18 THAT. THAT'S PROBABLY THE MOST SIGNIFICANT MOVE
19 OF THIS RULEMAKING EFFORT IS THAT WE WILL GO INTO
20 A -- IN EFFECT A CONTINUOUS LOAN-MAKING APPROACH
21 WHICH WE'VE LONG WANTED TO DO.

22 MR. CAPUTI: IT WILL HAVE A DRAMATIC EFFECT
23 ON THE PROGRAM.

24 CHAIRMAN RELIS: YEAH.

25 MR. CAPUTI: CHANGES ARE ALSO MADE TO AMEND

1 THE DEFINITION SECTION TO INCLUDE TERMS WHICH WERE
2 NOT PREVIOUSLY DEFINED.

3 AN ADDITIONAL REVISION WAS MADE TO
4 CLARIFY THE COLLECTION OF THE 3-PERCENT LOAN FEE
5 AS DUE HALF UPON ACCEPTANCE OF THE BOARD'S LOAN
6 COMMITMENT WITH THE BALANCE DUE UPON FIRST
7 DISBURSEMENT. THIS FEE COLLECTION POLICY WAS
8 ADOPTED BY THE BOARD AT ITS MARCH 29TH MEETING OF
9 1995.

10 WE DID NOT IMPLEMENT THE -- THIS
11 POLICY AT THAT TIME BECAUSE, ON FURTHER REVIEW,
12 LEGAL FELT THAT IT WOULD BE IN CONFLICT WITH THE
13 EXISTING REGULATIONS, SO WE HAVE CHANGED THE
14 REGULATIONS NOW TO ACCOMMODATE THESE -- THE FEE
15 COLLECTION.

16 THE CHANGES ALSO ELIMINATE REFERENCES
17 TO APPLICATIONS AND LOAN COMMITTEE REVIEWS ON A
18 QUARTERLY BASIS. THIS WILL ALLOW FOR THE
19 CONTINUOUS APPLICATION PROCESS.

20 WE MADE A NUMBER OF NON-SUBSTANTIVE
21 CHANGES JUST TO CLARIFY LANGUAGE AND TO SIMPLIFY
22 IT. THE REGULATION CHANGES WERE BASED ON
23 DISCUSSIONS HELD WITH BOARD STAFF, CONSULTANTS,
24 ZONING STAFF, LOAN COMMITTEE MEMBERS, LOAN
25 APPLICANTS, JUST ABOUT ANYONE THAT WANTED TO

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1 COMMENT ON THE LOAN PROGRAM OVER THE LAST COUPLE
2 OF YEARS, AND WE'VE TRIED TO TAKE ALL THOSE
3 SUBSTANTIVE CHANGES AND COMMENTS INTO EFFECT IN
4 THIS REG CHANGE.

5 THE ONLY FORMAL RESPONSE WE HAD TO
6 OUR REQUEST FOR COMMENTS -- WE SENT OUT REQUEST
7 FOR COMMENTS TO LOAN COMMITTEE, TO BOARD MEMBERS
8 OF ALL THE ZONES, AND THE ONLY FORMAL RESPONSE WE
9 HAD CAME FROM CHRISTIE BEEMAN, THE ZONE
10 COORDINATOR FOR THE OAKLAND/BERKELEY ZONE. AND
11 MS. BEEMAN SUPPORTED THE REG CHANGES WITH THE
12 EXCEPTION OF THE 3-PERCENT LOAN FEE CHANGE, WHICH
13 SHE FEELS WOULD DETER BORROWERS FROM SEEKING
14 ALTERNATE FINANCING DURING THE LOAN CLOSING
15 PROCESS.

16 CHRISTIE'S LETTER CITED OTHER LOAN
17 PROGRAM ISSUES INVOLVING COLLATERAL, GUARANTEES,
18 MICRO LOANS, MAXIMUM LOAN AMOUNTS, MACRO LOANS,
19 AND START-UP BUSINESSES.

20 EACH OF THESE ISSUES ARE ON THE
21 AGENDA AS PART OF THE DISCUSSION IN THE LOAN
22 PROGRAM WORKSHOP THAT'S NOW SCHEDULED FOR
FEBRUARY

23 5TH.

24 MS. BEEMAN ALSO CITED THE NEED FOR
25 SIMPLIFIED BOILERPLATE LOAN DOCUMENTS IN HER

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1 LETTER, AND I'M PLEASED TO REPORT THAT THE LOAN
2 PROGRAM STAFF ARE CLOSE TO RESOLVING THAT MATTER
3 IN THE ATTEMPT TO SIMPLIFY AND SPEED UP THE LOAN
4 CLOSING PROCESS. AND I HOPE THAT WITHIN THE NEXT
5 QUARTER, THE FIRST QUARTER OF '97, WE ADOPT A
6 SIMPLIFIED BOILERPLATE LOAN DOC, FAR BRIEFER THAN
7 THE ONE WE'VE GOT CURRENTLY.

8 I DO WISH TO NOTE THAT THE STAFF
9 RECOMMENDATION ON PAGE 2 IS INCORRECT. THE ITEM
10 DOES NOT NEED TO GO TO THE BOARD, BUT RATHER CAN
11 BE APPROVED BY THIS COMMITTEE.

12 ARE THERE ANY QUESTIONS?

13 CHAIRMAN RELIS: QUESTIONS?

14 OKAY. WE ARE LOOKING FOR MOVING THIS
15 INTO RULEMAKING. IT'S NOT COMING BACK HERE. IT
16 WILL GO OUT FOR 45 DAYS, AND THAT WILL BE THE
17 NATURE OF OUR ACTION TODAY, CORRECT?

18 MEMBER PENNINGTON: MR. CHAIRMAN, I MOVE
19 THAT WE SEND IT OUT FOR RULEMAKING.

20 CHAIRMAN RELIS: INITIATE THE RULEMAKING?

21 MEMBER PENNINGTON: INITIATE THE
22 RULEMAKING. THANK YOU.

23 MEMBER CHESBRO: SECOND.

24 MS. TRGOVCICH: MR. CHAIRMAN, IF I COULD
MAKE ONE REQUEST, GIVEN THE PREVIOUS ITEM AND HOW

WE DISCUSSED THE NATURE OF THE CONVERGING THE LOAN PROGRAM WORKSHOP WITH THE PRIORITIZATION DISCUSSION THAT WE NEED TO HAVE, THAT BY REGULATION IS REQUIRED TO BE ADOPTED BY MARCH -- I BELIEVE MARCH 31ST, THAT MAYBE WE IN THE NEXT WEEK COULD JUST WORK WITH YOUR OFFICES TO EVALUATE THAT, THE LANGUAGE THAT'S IN REGULATION RIGHT NOW ON THE PRIORITIZATION, AND SEE IF THERE'S A WAY TO MAYBE JUST PROVIDE A LITTLE BIT OF FLEXIBILITY SO THAT AT LEAST FOR THIS CYCLE, THE 1997 CYCLE, WE CAN MAKE SURE THAT EVERYTHING THAT COMES OUT OF THE LOAN PROGRAM WORKSHOP CAN BE CONSIDERED IN THE PRIORITIZATION WITHOUT IMPINGING UPON THE REGULATORY DEADLINE FOR ADOPTION.

CHAIRMAN RELIS: OKAY. AND YOU'LL HELP US --

MS. TRGOVCICH: YES.

CHAIRMAN RELIS: -- FIGURE OUT WHAT THAT IS?

MS. TRGOVCICH: YES.

CHAIRMAN RELIS: OKAY. WAS THERE A SECOND?

MEMBER CHESBRO: (NODS HEAD AFFIRMATIVELY.)

CHAIRMAN RELIS: OKAY. MOVED AND SECONDED.
CALL THE ROLL.

THE SECRETARY: MEMBER CHESBRO?

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MEMBER CHESBRO: AYE.

THE SECRETARY: MEMBER PENNINGTON?

MEMBER PENNINGTON: AYE.

THE SECRETARY: CHAIRMAN RELIS.

CHAIRMAN RELIS: AYE. AND THAT DOES NOT
NEED TO BE FORWARDED.

THANK YOU.

OKAY. THAT COMPLETES OUR AGENDA.

ANY COMMENTS OF A GENERAL NATURE? IF
NOT, WE'VE COMPLETED OUR BUSINESS. THANK YOU.

(END OF PROCEEDINGS AT 10:55 A.M.)

